

Wyoming Aeronautics Commission Follow-Up Audit

November 27, 2013

Management Audit Committee

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Prepared by

Gerald W. Hoppmann, Program Evaluation Manager

Joy Hill, Program Evaluator

Elizabeth Forslund, Associate Program Evaluator

Samantha Mills, Associate Program Evaluator

Kathy Misener, Associate Program Evaluator

Tamara Rivale, Associate Program Evaluator

Anthony Sara, Technical Assistance and Graphics





Introduction

Audit History, Objective, Scope & Methodology

Wyoming Aeronautics Commission Audit History

In recent years, the Wyoming Aeronautics Commission (Commission) has been the focus of two separate audits performed at the request of the Management Audit Committee.

2002 Audit

In 2002, the Management Audit Committee directed its staff to conduct an evaluation of the Commission's mission and purpose. Staff recommended the Legislature consider making statutory changes to segregate grant duties and create a state-level advocate for air service in the state. Staff further recommended considering amending statutes to accomplish the following:

1. Granting the Wyoming Business Council (WBC) responsibility for air service promotion grants;
2. Granting the Transportation Commission authority to approve airport infrastructure grants; and
3. Granting the Commission new duties or disbanding it.

As a result of the 2002 audit, several pieces of legislation were developed to reflect these recommendations. During the 2003 Legislative Session, Senate File 66 (2003 SEA 34) and Senate File 120 (2003 SEA 81) were adopted to modify the Commission duties and to assign air service enhancement grant-making authority to the WBC.

- *Senate File 66 (2003):*

1. Changed and expanded the Commission's duties and increased the number of commissioners by one;
2. Directed the Commission to adopt formal policies related to its duties;
3. Enabled the Commission to lend assistance to communities related to air service and military air service issues;
4. Required the creation of a five year capital improvement plan; and,
5. Increased the Aviation Loan Program (Loan Program) funding from \$2 million to \$4 million.

- *Senate File 120 (2003):* Authorized the WBC to offer financial assistance to persons or businesses that would improve air service in the state. The Legislature appropriated \$3 million to accomplish that task.

- *House Bill 143 (2004)*: Authorized the Military Department to supervise and coordinate air search and rescue missions, which were previously assigned duties of the Commission.
- *House Bill 60 (2004)*: Modified 2003 Senate File 120 and extended provisions through June 30, 2006.
- *House Bill 53 (2005)*: Transferred the Air Service Enhancement Program to Commission.
- *Senate File 114 (2007)*: Defined “*enhanced air service*” for purposes of the Air Service Enhancement Act to include “*assisting airports in the state with commercial air service to have the appropriate level of state or federal security configuration to accommodate proposed air service and aircraft capacity.*”

2011-2012 Audit

In 2011, the Management Audit Committee requested another audit of the Commission, specifically focusing on analysis of the various types of federal and state grant construction projects and Air Service Enhancement grants (See Appendix A for Executive Summary).

The Committee’s 2011 request was based on overall concerns about the Commission’s current mission and whether duties and responsibilities are appropriate given that mission. The main statutory programs administered by the Commission during that audit included:

- The Airport Improvement Program (AIP);
- The Air Service Enhancement Program; and,
- The Aeronautics Loan Program.

The audit was released September 28, 2012, and contained 26 recommendations, including both recommended actions for the Commission and matters for legislative consideration. As a result of the audit, during the 2013 Legislative Session, Senate File 16 was adopted to reorganize the Loan Program and clarify programmatic requirements for the Air Service Enhancement Program.

- *Senate File 16 (2013)*: This act consisted of two major changes for the Commission. First, the Air Service Enhancement program was modified in order to provide more clarity for the Commission when considering potential grant projects. Senate File 16 required that all of the listed benefits be considered by the Commission for each project reviewed for funding. Additionally, the language of the bill revised these listed benefits to include:
 - Increased minimum enplanements at airports facing a loss of federal airport improvement program funding;
 - Increased passenger enplanements at Wyoming airports;

- Increased the number of Wyoming passengers originating flights in Wyoming rather than in other states;
- Increased frequency or sustaining flight operations from commercial airports in Wyoming to regional airport hubs;
- Increased consistency of service; and
- Lower airfares in Wyoming communities as a result of an air service enhancement grant.

The bill required an annual report to the Joint Minerals, Business, and Economic Development Interim Committee, the Joint Appropriations Interim Committee, and the Air Transportation Liaison Committee related to actions taken, monies distributed, and measurements of benefits to the state for all contractual projects.

Secondly, the bill relocated the Loan Program, moving the administration of the Program from the Commission to the State Loan and Investment Board (SLIB). The Commission serves to advise SLIB as to the merit of the loan application, but is no longer responsible for the administration of the Program.

Follow-Up Audit Objectives

W.S. 28-8-107(b) authorizes the Legislative Service Office to conduct program evaluations, performance audits, and analyses of policy alternatives. Generally, the purpose of such research is to provide a base of knowledge from which policymakers can make informed decisions. Specifically, W.S. 28-8-107(b)(ii) authorizes the use of post-audits to determine if specific recommendations and problems revealed by a first audit have been corrected.

During the 2012 Management Audit Committee meeting and in formal response to the 2012 audit, the Commission Chair expressed concerns over the process and results of the audit. In order to address these concerns, the Committee requested a one-year follow-up be conducted on the audit rather than the traditional two-year follow-up process. Additionally, due to these concerns, as well as to a potential scope limitation, the Committee requested that staff perform a more intensive, evidence-based follow-up report of the Commission over the one-year period.

As a result of these directives, staff developed the following report outlining each of the 2012 audit recommendations. Each section addresses the previous audit recommendation, background of the recommendation, the progress made on the recommendation, a review of evidence of progress as provided by the Commission, and additional recommendations (if needed).

Evaluation of the evidence provided is based on Governmental Auditing Standards from the United States Government Accountability Office. These Standards are adhered to within each audit produced by evaluation staff. Of particular use within the evaluation of the evidence in the follow-up report were the standards relating to the sufficiency and appropriateness of evidence. Government Auditing Standards define those terms as follows:

- Appropriate evidence includes:
 - Measure of relevance—that the evidence has a logical relationship with the information being measured;
 - Measure of validity—that the evidence is a proper measure of the information; and,
 - Measure of reliability—that the evidence is verifiable or supported.
- Sufficient evidence includes:
 - Evaluation of the appropriateness of the evidence; and,
 - Determination that the evidence is of a quantity that would be sufficient for a reasonable person.

The measures of appropriateness and sufficiency were therefore used throughout the report in relation to the above definitions when evaluating the evidence provided by the Commission.

Scope & Methodology

This follow-up audit was conducted according to statutory requirements and professional standards and methods for governmental audits. The research was performed from October 2012 through October 2013. Additionally, evaluators used information within the original audit report to provide background information regarding each recommendation. The original audit research information contained in the background section of each recommendation was performed from September 2011 through August 2012. The general time frame for the information included within this report is BFY 2007 through BFY 2013 (unless otherwise noted).

Research methods included:

- Evaluation staff attendance of Commission monthly meetings;
- Review and analysis of Commission monthly meeting packets;
- Monthly review and analysis of Forecast, Inc. contractor data;
- Correspondence with agency regarding specific questions; and,
- Meeting with Division staff, Commission Chair and Vice-Chair, and WYDOT Director to discuss follow-up report draft.

Matters for Legislative Consideration

This report does not address recommendations that were addressed as matters for Legislative consideration, as no additional action or evaluation were necessary for these items. Those recommendations were:

- Recommendation 2.2: The Legislature should consider passing legislation that will formalize WYDOT's Internal Review Services duties and responsibilities.
- Recommendation 4.25: The Legislature may wish to consider moving the Loan Program back under the purview of the State Loan and Investment Board.

Overall Results

Based on the review of evidence provided by the Aeronautics Commission and the Aeronautics Division, we are generally satisfied with the Commission's and Division's efforts to implement the original audit's 26 recommendations. If evaluators were not completely satisfied with progress being made towards a certain recommendation, it is noted within that section of the report. Evaluators identified eight (8) additional recommendations for the Commission and the Division.

The Summary Table on the following page provides a general snapshot with respect to the implementation of each recommendation, as well as a listing of additional recommendations.

Acknowledgements

We would like to thank the Wyoming Department of Transportation, the Aeronautics Commission, and Aeronautics Division for their support and cooperation during this follow-up audit.

Recommendation Status Summary

Recommendation	Progress Review	Page Number	Additional LSO Recommendations	Agency Response
2.1	Generally Satisfied with Overall Progress	7	None	
2.2	N/A	N/A	N/A	
2.3	Generally Satisfied with Overall Progress	9	None	
2.4	Generally Satisfied with Overall Progress	12	None	
2.5	Generally Satisfied with Overall Progress	14	None	
2.6	Partially Satisfied with Overall Progress	15	Recommendation #1	Partially Agree
2.7	Partially Satisfied with Overall Progress	17	Recommendation #2	Agree
2.8	Evaluation Premature	19	Recommendation #3	Agree
2.9	Generally Satisfied with Overall Progress	20	None	
2.10	Partially Satisfied with Overall Progress	22	Recommendation #4	Agree
3.11	Partially Satisfied with Overall Progress	24	Recommendation #5	Agree
3.12	Partially Satisfied with Overall Progress	28	Recommendation #6	Partially Agree
3.13	Evaluation Premature	30	Recommendation #7	Partially Agree
3.14	Evaluation Premature	31	None	
3.15	Evaluation Premature	33	None	
3.16	Evaluation Premature	35	None	
3.17	Evaluation Premature	37	None	
3.18	Generally Satisfied with Overall Progress	38	None	
3.19	Generally Satisfied with Overall Progress	40	None	
3.20	Generally Satisfied with Overall Progress	41	None	
3.21	Partially Satisfied with Overall Progress	42	Recommendation #8	Agree
3.22	Evaluation Premature	44	None	
3.23	Generally Satisfied with Overall Progress	47	None	
4.24	Evaluation Premature	48	Recommendation #9	Partially Agree
4.25	N/A	N/A	N/A	
5.26	Evaluation Premature	50	None	
N/A	Agency Response	53	N/A	N/A

Recommendation Updates

Background, Progress, Review, and Additional Recommendations

Previous Recommendation 2.1

WYDOT's Internal Review Service should audit airport construction projects. In addition, the Internal Review Service should create auditing criteria based on high-risk areas and provide sub-recipient certification to local airports.

Background from LSO Audit Released on September 28, 2012

The Wyoming Department of Transportation (WYDOT) does not actively audit airport construction projects. Division staff does not conduct audits of airport construction projects, nor do personnel have the audit backgrounds to conduct such oversight. Additionally, the Division has no promulgated rules related to oversight of the expenditure of state dollars for airport construction grants. It should be noted, however, that State Grant Application Assurance #25 provides language that allows the Commission and Division to monitor airport construction projects.

WYDOT's Internal Review Service reviews samples of airport construction projects related to the A-133 process (e.g. projects receiving \$500,000 or more in federal funds). However, it does not conduct additional audits of airports receiving federal and state funds to ensure that internal controls are adequate, that federal and state assurances are met, that projects are done in accordance with project specifications, or that proper bid processes are occurring. As a result, there is a risk that federal and state dollars are being expended without adequate oversight.

Aeronautics Commission Progress towards Implementation of Recommendation

In order to address the risk of inadequate oversight, WYDOT Internal Review Service (IR) developed a risk assessment for grant sub-recipients for FY2012. This assessment is a comprehensive evaluation of risk levels; additionally, the risk assessment includes a category related to prior IR audits. If an entity has not undergone an audit by IR, the category is automatically ranked as high-risk, regardless of the other risk categories. This mechanism serves as a safety to ensure that lower-ranked risk projects still will eventually receive audit attention by IR. The risk assessment is used to calculate an audit risk percentage for each airport.

In addition to the risk assessment, IR developed a document titled Internal Control Questionnaire, which was sent to all airports receiving WYDOT funding. The Questionnaire is designed to determine adequacy of the project delivery system and sufficiency of accounting and internal controls used to manage funds. IR plans to use the Questionnaire to assist in audit planning.

Currently IR has not conducted audits and does not plan to in 2013 due to limitations of staff resources; additionally, there is not a formalized audit plan but IR has identified areas to explore in the audit plan once created. Additionally, IR plans to schedule three or four on-site visits to the highest ranking airports in the risk assessment. Those visits are currently planned for March through May of 2014 with final audit reports to be issued by July of 2014.

LSO Progress Review

The documentation process generated by WYDOT's IR fulfills the Government Auditing Standards of appropriate evidence; the documentation is relevant to the recommendation, is a valid methodology to determine audit risk; and appears to be designed to function reliably. Similarly, the documentation process is sufficient to address the recommendation, as the depth and quantity of the work within the established process speak to the need for audit oversight, high-risk auditing criteria, and sub-recipient certification.

However, evidence demonstrating the effectiveness of the process has not yet been produced due to the timeframe of this report; as stated above, audits have not yet occurred and are slated for 2014. Therefore the evidence produced, although appropriate and sufficient, is not yet sufficient for the fulfillment of the recommendation.

However, evaluators are satisfied with the overall progress made to date on Recommendation 2.1.

Additional LSO Recommendations

None required.

Previous Recommendation 2.3

The Division should, at a minimum, report the General Fund and State Highway Fund dollars expended in categories above as part of their biennial budget presentation. The budget should also pay particular attention to the state-funded only airport construction project request.

Background from LSO Audit Released on September 28, 2012

Funding for various WACIP programs comes from the General Fund and State Highway Fund (H06). However, WYDOT's budget requests do not provide a breakout of how each program is funded.

Disparity between Requests and Expenditures: Table 1 below illustrates that funds for the programs funded through the Aeronautics Division Airport Improvement Budget are not requested separately. Also, the table shows that there is little variance from biennium to biennium with respect to the request amounts. However, as seen in Table 2, the expenditures related to these programs vary greatly. As a result, it is not clear in the budget requests how much funding is anticipated for these programs, nor how much was expended in prior biennia.

Table 1
Aeronautics Division (1000) Budget Request
Airport Improvement (Unit 1001)
BFY 2007 through 2013

BFY	GF	H06	Federal Funds (AIP)
2007	\$1,740,000	\$8,720,860	\$55,402,188
2009	\$10,240,000	\$8,720,860	\$37,402,188
2011	\$10,240,000	\$8,720,860	\$37,402,188
2013	\$10,240,000	\$8,720,860	\$37,402,188
Total	\$32,460,000	\$34,883,440	\$167,608,752

Source: Governor's Budget Requests

Table 2
General Fund and State Highway Fund
Department 045, Division 1000, Unit 1001

Purpose	BFY 2007 Grants and Contracts	BFY 2009 Grants and Contracts	*BFY 2011 Grants and Contracts	BFY 2013 Grants and Contracts (estimated)
State Match for CFDA 20.106	\$1,880,111	\$2,265,533	\$1,692,177	\$2,496,023
Non-Federally Funded Airport Construction and Improvement Projects	\$13,358,270	\$25,084,240	\$14,036,526	\$12,080,757
Statewide Maintenance Program	\$1,197,253 (crack seal portion is \$888,325)	\$577,833	\$695,676	\$800,000
Pavement Management Program (e.g. evaluation side of statewide maintenance program)	Included in the system plan	Included in the system plan	\$80,000**	\$150,000
Statewide Group Communications	\$0	\$0	\$100,000-\$200,000	\$0-\$100,000
Marketing & Promotion	\$213,290	\$116,750	\$271,750	\$280,000
System Plan	\$1,358,388	\$253,684	\$200,000	\$277,778
Air Show & Fly-In	\$60,761	\$145,486	\$80,151	\$100,000
AWOS	\$1,260,512	\$408,829	\$85,000	\$200,000
Total	\$19,328,585	\$28,852,355	\$17,341,280	\$16,484,558

Source: LSO from information provided by the Division of Aeronautics.

*Part of these amounts are estimates as FY12 is still underway and all projects have not been granted.

**2010 Included in the System Plan

Division officials prefer to not be tied to a specified budgeted amount for these subprograms within the state Airport Improvement Budget as it would “likely reduce effectiveness of expanding all funds for airport improvement projects.” Due to the nature of the federal AIP apportionment schedule, the Division does not have a concrete commitment of federal funding for construction projects. These delays and uncertainties with respect to federal funds can be problematic, as they create a situation where the Division is retaining state funds while awaiting the possibility of federal funding.

Information as portrayed in Table 2 is valuable for the Legislature to use when discussing budgetary and programmatic matters. This table demonstrates that it is possible to provide a breakdown of expenditures related to General Fund and State Highway Fund expenditures.

Aeronautics Commission Progress towards Implementation of Recommendation

The Division has developed a Line-Item Budget Report for inclusion as part of the BFY2015-2016 Standard Budget Narrative for WYDOT. The document separates the total General Fund, state transportation funds, and federal funds out of the total appropriation. Further, the document breaks out the 200 (Support Services), 600 (Grants-in-Aid), and 900 (Contracts) object series funding source, identifying federal and state funds. State funds are further separated into those funds used to provide the federal match and those used for state-only projects or local matches.

LSO Progress Review

The Line-Item Budget Report generated by the Division is both sufficient and appropriate evidence to address the issues raised in Recommendation 2.3. Evaluators have determined that the Budget Report is relevant to the recommendation, a valid source of measurement, and a reliable and verifiable source of information.

Additional LSO Recommendations

None required.

Previous Recommendation 2.4

The Division should continue using the 2003 revised Priority Rating Model and save all documentation related to decisions with respect to subjective and objective criteria. The Division should also reconstitute the Task Force in order to meet periodically for the purpose of updating the PRM pursuant to the 2006 PRM Manual.

Background from LSO Audit Released on September 28, 2012

To prioritize projects within the WACIP, the Commission has designated the Priority Rating Model (PRM) as a tool to maximize the use of state resources. In February 2003, the Commission approved the creation of a Task Force to update the PRM and in 2006 it was updated a second time. The Task Force was comprised of key stakeholders from the Commission, the Division, and airports, and was required to meet annually to re-evaluate the model. The Task Force agreed that, *“The purpose of the priority rating system is to rank projects for planning, budgeting and granting by utilizing objective information to make subjective decisions considering the collective needs of the state’s aviation system.”* According to the Division, the Task Force emphasized the importance of matching every federal dollar available, and designed the PRM accordingly.

However, there is no longer a task force and the last update to the PRM was in 2006 when a land use/protection component was added to the model.

The PRM is a matrix-based tool developed to assign and identify priority of projects based on specific categories such as funding, need, and purpose. According to the PRM handbook, the PRM systematically ranks the projects based on specific priorities for the Commission, who then use the model as a tool to assist with project funding decisions.

Aeronautics Commission Progress towards Implementation of Recommendation

Significant progress has been made on Recommendation 2.4. The Commission received and reviewed seventeen applications for membership on the Task Force. Of those seventeen, seven members were selected to serve on the Task Force in addition to two Commission members and two staff members.

The Commission and the Division worked together to generate the areas of focus for the Task Force. These areas include the following:

- The Task Force will determine if the existing model needs to be fully redeveloped or if revision will suffice. Although discussion of the project mentioned that the current Model used by the Division has been praised by members of the FAA, Division staff stated that they have ideas about current problems within the model. Additionally, Division staff are aware that changes to FAA guidelines for federal funding creates the need for review and potential revision.

- Items for evaluation by the Task Force include: incorporation of currently separate State Evaluation factors; weight of federal funding availability for projects within the existing PRM; and new project types. Specifically, the Task Force's workflow was determined to be review of the current model, review of other states' models, and then revision of the model.

The first meeting of the Task Force was to be held in June 2013, but due to the need to locate and secure funding for a meeting facilitator as well as scheduling a meeting all Task Force Members could attend, the meeting was pushed back to September 5 and 6, 2013. Galen W. Hesterberg, P.E., was engaged in order to aid in re-evaluating the current model with issue identification, discussion, and task force direction; preparation of draft 2013 Wyoming Priority Rating Model for Project Evaluation; receiving of public comments and presentation to the Task Force for discussion and resolution; and preparation of the final 2013-2014 Wyoming Priority Rating Model for Project Evaluation.

LSO Progress Review

Program Evaluation staff are generally satisfied with the progress made on Recommendation 2.4. The reconstitution of the Task Force and the Task Force meeting information has provided appropriate and sufficient evidence related to the audit recommendation.

Additional LSO Recommendations

None required.

Previous Recommendation 2.5

The Division and the Task Force should review, at a minimum, the placement and weight of the federal criteria within the PRM formula. This review should be done to ensure that projects funded in part by the federal government (e.g. cross-wind runways, aprons at small general aviation (GA) airports) receive fair assessment under the model for prioritization. We recommend that the subjective criteria such as the local priority rating be integrated into the PRM formula as weighted criteria.

Background from LSO Audit Released on September 28, 2012

Within the original audit report, evaluators stated that it may be worth considering the option of removing the federal criteria from the PRM and prioritizing projects with the model prior to their review by the FAA. The current process for project prioritization seems to favor federal project as the type of FAA funding is the highest weighted category in the PRM. If the state were to first prioritize a list of projects and then discuss that list with the FAA, it would still allow federal AIP projects to receive funding, but would allow the Division to emphasize state priorities rather than those of the FAA.

Aeronautics Commission Progress towards Implementation of Recommendation

During the first meeting of the reconstituted Task Force, review of the placement and weight of the federal criteria within the Priority Rating Model formula occurred. It was determined that the weighting system for federally funded projects was appropriate. However, the Task Force also suggested that some weight be given to State funding and the availability of a local match.

LSO Progress Review

The evidence presented related to the Task Force meeting fulfills the requirements of sufficient and appropriate evidence to address the recommendation.

Additional LSO Recommendations

None required.

Previous Recommendation 2.6

The Division should work towards identifying projects within the Needs Gap Assessment that would occur if funding were available. Based on this information, the Division should calculate an annual amount needed to fund these projects and explore ways in which these projects could receive that funding.

Background from LSO Audit Released on September 28, 2012

Beyond the risk of local priority not being included as a subjective measure, the PRM formula does not differentiate federally-state funded projects from projects that do not require federal funds. Omitting subjective criteria from the formula while weighting federally funded projects above those projects that do not require, or qualify for, a federal match runs the risk that some projects may not be considered enough of a priority to receive funding in the requested fiscal year, or at all. After going through the PRM, these projects typically end up on the “Needs Gap Assessment” compiled by the Division.

According to the Division, some projects are only on the Needs Gap because they do not fall within the six-year funding period of the WACIP, but may be requested for years seven through 20 of an airport’s plan.

Examples of unfunded projects include cross-wind runways, hangar construction, parking lot construction, and apron concrete repairs.

Division staff also noted that each year projects on the Needs Gap are reevaluated and prioritized in order to determine if a change in circumstance that warrants moving the project from the Assessment to programmed status has occurred. However, there is still a risk of projects remaining on the Needs Gap Assessment year after year as new needs and higher priority projects perpetually surface.

Aeronautics Commission Progress towards Implementation of Recommendation

The Division has produced the WACIP Six-Year Unfunded Needs document which provides both the estimated total cost of unfunded needs and the estimated annual cost to fund projects in six years. According to the Division, the annual cost needed is provided in the BFY2015-2016 Standard Budget Narrative for WYDOT and will be included in the budget presentation to the JAC and the Joint Transportation, Highways, and Military Affairs Committee.

The Unfunded Needs document was presented during the April Aeronautics Commission meeting; the estimated total cost of the unfunded projects is \$132,387,218; the estimated annual cost to fund these projects in six years is \$22,064,536.

LSO Progress Review

The WACIP Six-Year Unfunded Needs document addresses the first part of Recommendation 2.6, as the document sites specific projects and the estimated costs needed to address each project. However, no evidence exists to indicate the Division or the Commission identifies “shovel ready” projects.

“Shovel ready” projects are those projects that are ready to commence work immediately and only are lacking funding are not separated from those projects that are not ready to commence should funding become available. The purpose of the recommendation was to prompt the Commission to present a list of projects that are ready to commence and are only languishing from a lack of funding rather than presenting a “wish list” of all unfunded needs, regardless of project preparedness. This determination would allow more flexibility with the Commission with respect to using additional or unanticipated funding.

In response to this concern, Division staff stated that the projects in the Needs Gap list are not “shovel-ready.” Airport development projects may take a year or more to prepare given environmental, land and contracting requirements. Since most of the projects listed in the Needs Gap are lower priority than those programmed and are not currently planned to be funded in the short-term, the investment required in terms of time and funding to prepare these projects to be “shovel-ready” cannot be justified.

The evidence presented that the Division cannot identify “shovel-ready” projects is nominally sufficient under the Government Auditing Standards. Although the Division may not be able to anticipate and address all requirements in order to “prepare these projects to be ‘shovel ready,’” it should work to identify projects that are closer to this status, should funding become available.

Additional LSO Recommendation

1. The Division should continue to produce and present the WACIP Six-Year Unfunded Needs document to the Commission. It should also work towards identifying projects within the document that are closer to “shovel ready” than others.

Previous Recommendation 2.7

The AIIP or similar assessment should be conducted regularly to maintain a more accurate inventory of the State's aviation system, goals, and objectives. The Division should also begin updating airport report cards at the completion of projects so that they can show how those projects have contributed to meeting the state system goals and objectives listed in the AIIP. Such documentation and reporting would be beneficial to WYDOT's strategic planning, as well as reporting responsible use of funds to lawmakers.

Background from LSO Audit Released on September 28, 2012

Through the 2009 Statewide Airport Inventory and Implementation Plan (AIIP) and WYDOT's Balanced Scorecard Initiative, the Division has produced a significant amount of well thought-out performance information for the WACIP. The AIIP was a project taken on by the Division's planning section in 2009 and the Balanced Scorecard Initiative is a WYDOT project to meet the intent of W.S. 28-1-115. However, the information gathered as a result of these projects has not been updated with respect to meeting goals and objectives, nor is it reported consistently in budgets or other documents. As a result, it is difficult to determine how well the WACIP is performing in terms of meeting established goals and objectives.

Aeronautics Commission Progress towards Implementation of Recommendation

Currently the plan for the completion of the AIIP has been approved and is scheduled in the WACIP for 2014. The state funds approved for this project total \$400,000 due to prior funding history. When asked about the use of this amount, the Division stated that the consultation selection for the project has not yet begun.

Additionally, the Division stated that it is in the process of updating data used for airport report cards.

Division staff also stated that current practice is to roll the goals and measurable outcomes into the Balanced Scorecard process, as well as utilizing the AIIP Executive Summary on the Aeronautics website for reporting.

LSO Progress Review

The slated plan for the project to commence in 2014 and the amount budgeted appears to be appropriate evidence according to Governmental Auditing Standards, that the Division is moving forward with implementation of the recommendation. However, it is too soon to ascertain whether the information that will be provided through the updated AIIP will be used with respect to setting and accomplishing goals and measurable objectives for WACIP, as well as how information will be reported during the legislative budget process or communicated to the Legislature.

Additional LSO Recommendation

2. The Division should assure that the updated AIP will include goals and measurable objectives that are communicated consistently to the Legislature through the budget and other processes, with respect to measuring the performance of WACIP.

Previous Recommendation 2.8

The Commission and Division should reevaluate the data and information that is collected as part of AIIP and the Balanced Scorecard process, and determine what should be reported consistently to the Commission and the Legislature.

Background from LSO Audit Released on September 28, 2012

As part of the AIIP, each airport has received a general report card to show how funded projects or other actions will contribute to progress towards statewide goals. However, the Division does not currently update report cards after individual projects are completed to show actual progress towards meeting those goals. Ideally, each airport should be assessed after project completion to measure if completion of WACIP projects moves an airport closer to meeting AIIP goals. It may also be beneficial to update the AIIP on a biannual basis as well. The real-time reporting could then be used in development of the WYDOT scorecards as well as the WYDOT Strategic Plan.

Aeronautics Commission Progress towards Implementation of Recommendation

Audit Recommendation #2.8 is linked to #2.7 and cannot fully proceed without the completion of the AIIP, which is currently scheduled for 2014 in the Aeronautics WACIP. Therefore full analysis of this recommendation is premature. It is unclear if the Balanced Scorecard process has been reinstated.

LSO Progress Review

There is not enough evidence to evaluate to ascertain progress related to Recommendation 2.8.

Additional LSO Recommendation

3. See LSO recommendation #2.

Previous Recommendation 2.9

Projects requiring Commission approval should be separated into individual action or informational items. Changes to projects should be compiled into reports separate from the WACIP update and should include details on change orders, modifications, amendments, and other changes to the projects. These reports should be available to the Legislature and/or the Commission.

Background from LSO Audit Released on September 28, 2012

Another concern noted by evaluators is the way in which WACIP project modifications are reported to and approved by the Commission. Modification notes for each project are included in the monthly WACIP update report that is approved by the Commission in its entirety. Commissioners do have the ability to exclude a project modification from the WACIP approval; however, Division staff stated that since FY 2007, that option has never been exercised. Division staff noted that “*staff does not make a point to bring up individual modifications outside of noting each one in a monthly WACIP update report; the Commission regularly questions and discusses specific projects within the WACIP, prior to approval of the WACIP containing the project or modifications.*” Staff also noted “*the WACIP report contains information for the Commission on the reason for the change.*”

Additionally, modifications to construction projects are not recorded consistently in files, nor are they communicated to the Division Administrator and to the Commission unless specifically requested. For example, when asked if the Commission had approved the two amendments for the Laramie project (LAR-04B), Division personnel stated that, like all other amendments, the WACIP Update included project notes and was approved as provided by the Commission at the 9/19/08 meeting. Division personnel also confirmed that there was never individual discussion of the amendments to this project.

Aeronautics Commission Progress towards Implementation of Recommendation

During the August 20, 2013 Commission teleconference, Division staff presented a draft report of the WACIP Change Orders Report. This report contains a breakout of project, description of project, and a listing of change orders, explanation, amount, and revised project total. The report provides additional information separately from the WACIP presented to the Commission for approval at meetings.

Additionally, Division staff has been reviewing modifications and amendments individually during the Commission meetings in order to address Recommendation 2.9.

LSO Progress Review

The WACIP Change Orders Report and the practice of verbally reviewing modifications and amendments individually during Commission meetings sufficiently and appropriately address Audit Recommendation 2.9.

Additional LSO Recommendations

None required.

Previous Recommendation 2.10

The Division should draft internal policies and/or guidelines with respect to file maintenance to ensure that key documents are maintained in a consistent and uniform manner. Policies and/or guidelines should also include guidance for project managers to use when maintaining detail about project modifications.

Background from LSO Audit Released on September 28, 2012

Based on the survey of sampled project files, evaluators found that file maintenance is lacking. While nothing in Division policy requires documentation to be maintained in a specific format, based on the sample of thirteen (13) WACIP projects, evaluators were able to identify key documentation that is typically contained in construction and planning files.

Table 3 below illustrates that on average only 79% of key documentation was identified during the file review for selected projects.

Table 3
WACIP Construction and Planning Documentation

Documentation	Number of Project Files Containing Selected Information
Financial Documents	13 projects with 79% of Financial Documentation
Grant and Federal Assistance Applications	13 projects with 83% of Grant application documentation
Grant Documents	13 projects with 73% of Grant documentation
Agreements	13 projects with 69% of Agreement Documentation
Final Product Documentation	13 projects with 90% of final documentations
Total	Of the sampled WACIP construction and planning projects, evaluators on average identified 79% of key documentation during the file review.

Source: Legislative Service Office from information provided by the Aeronautics Division.

Aeronautics Commission Progress towards Implementation of Recommendation

In response to the concerns raised in Recommendation 2.10, the Division provided information and documentation related to file maintenance, which includes instructions for scanning, instructions for indexing, and the project close-out procedure checklist. Taken together, the first two documents are referred to as the Falcon procedure, as they create documents in the Falcon Management System. The scanning and indexing instructions are very detailed and the project closeout procedure checklist is the last item completed in the project, coming after the previously listed steps of scanning and indexing project documentation. However, Division staff has stated

that the checklist has not yet been used for any closed out projects to date. The Division plans on implementing the use of this document in the winter months of 2013, as this time will be used to catch up on project close outs that have not yet occurred due to staff shortages.

These documents clearly outline the procedure for closing out a project. During the audit, these procedures were in place but project managers were not consistently following them; the Division reports that project managers were updated as to the use of this process.

LSO Progress Review

The documentation demonstrating the Division's Falcon Management System show sufficient and appropriate evidence of policy addressing the recommendation. The detailed nature of the instructions show that the procedure is well thought-out and focuses on maintaining the appropriate documents for each project. It is interesting to note that the checklist has not been used to close out projects to date, however; this fact brings the reliability of the policy into question. Further information will be required to make a final evaluation of the recommendation progress.

Additional LSO Recommendations

4. The Division should begin using the closeout procedure checklist in a consistent manner.

Previous Recommendation 3.11

The Division should collect and report data consistent with the five main statutory areas. This information should be broken out by individual project. Contracts should also reflect estimates with respect to each statutory benefit.

Background from LSO Audit Released on September 28, 2012

During the original audit work, evaluators found that an extensive amount of data is provided to the Division through the contract with Forecast, Inc. The data was provided to the Division on a monthly basis and organized into the following data sets: **1) Wyoming Passenger Totals; 2) Wyoming Pricing; and 3) Wyoming Weekly Seats Flights.** However, the Division did not use this data to report adequately at the individual project level. More specifically, data was reported at the route level rather than project level in relation to each project's success in meeting statutorily required contract assurances.

Statutory language is also clear about the benefits the state should receive in return for financial assistance. More specifically, the statute envisions that financial assistance is “*conditioned upon contractual assurances.*”

Evaluators found that although extensive data was captured and analyzed, the data and analysis was consistently reported according to routes at airport and State levels. Data relevant to each project was not reviewed individually or in comparison with past projects, and projects were not summarized upon completion to determine success relative to statutory goals.

Aeronautics Commission Progress towards Implementation of Recommendation

During the 2013 Legislative Session, W.S. 10-3-601(b) was revised to include the following benefits as requirements to projects granted funds under the Air Service Enhancement Program:

1. Increasing minimum enplanements at airports facing a loss of federal airport improvement program funding;
2. Increasing passenger enplanements at Wyoming commercial airports;
3. Increasing the number of Wyoming passengers originating flights in Wyoming rather than in other states;
4. Increasing frequency or sustaining flight operations from commercial airports in Wyoming to regional airport hubs;
5. Increasing consistency of service; and
6. Lowering airfares in Wyoming communities as a result of an air service enhancement grant.

In order to address the recommendation, the Division has developed pre- and post-project summary documents for evaluation of projects by the Commission.

Pre-Project Summary

The Division developed an Initial Project Summary report for inclusion with the application for Air Service Enhancement Program grants. The first of these reports was for Rock Springs, and was provided to the Commission at the June 2013 meeting. Two other reports have also been sent to the Commission at the July 2013 meeting—one each for Gillette and Jackson.

The report itself describes the intended benefits of the grant, focusing on areas of enplanements; passengers under contract; passenger retention; and air fares. The “*passengers under contract*” section is defined within the report as the passengers generated at airports as a result of ASEP contracts.

In addition to the intended benefits, the current and previous year grant amounts and state-local split are provided. Under this table, there are several narrative questions, including describing negotiations with the airline; whether flight schedule connection times are to be maximized; begin service date; operational restrictions; marketing for the service; local dollars contributed for marketing; standardized airline profit; and additional notes.

Post-Project Summary

Currently, there is only one post-project summary, as the report is in draft template form. The draft template provides the same basic information regarding the project as the pre-project summary; however, it is a more effective report as it directly measures tangible results of the project. In the sample provided, the contract date of the project was the calendar year of 2012; the intended benefits are listed for both 2011 and for 2012, along with the variance percentage between the two years. This side-by-side comparison allows the reader to see exactly how much increase or a decrease occurred in several categories such as enplanements, performance, and average air fare.

The contract metrics, including costs for block hour, costs for fuel, revenues, minimum revenue guarantee, and passenger segments are also included in a similar format; the report shows the projected and actual amounts for the project and the variance between the two numbers.

Also included in the summary is the fiscal information for the project with the final total state, local, and project reversion amounts.

The notes section includes information related to the benefits and contract metrics in narrative form.

The following table outlines the areas that are and are not evaluated within the summary documents.

Table 4
Tracking of Statutory Areas

Statutory Area	Pre-Project Summary	Post-Project Summary
Increasing minimum enplanements at airports facing a loss of federal airport improvement program funding	Not Estimated; narrative provided	Yes
Increasing passenger enplanements at Wyoming airports	Not Estimated; narrative provided	Yes
Increasing the number of Wyoming passengers originating flights in Wyoming rather than in other states	Not Estimated; narrative provided	Yes
Increasing frequency or sustaining flight operations from commercial airports in Wyoming to regional airport hubs	Not Estimated; narrative provided	Yes
Increasing consistency of service	Not provided	Yes
Lowering airfares in Wyoming communities as a result of an air service enhancement grant	Not Estimated; narrative provided	Yes

Source: Legislative Service Office from information provided by the Division

LSO Progress Review

The pre-project report is a good snapshot of project basics and is provided to the Commission in a clear and comprehensive manner. There is a consistent list of intended benefits with narrative description, along with a side-by-side comparison chart of the monies received in the previous year and the monies currently requested. Other details such as flight schedule and intended marketing dollars are also included in the report.

However, there are still several problems with this report in addressing the audit recommendation. The intended benefits section does not require any specific, measurable goals to be established in order to judge project success, which creates difficulty in judging the reliability of the report. Of the four project summaries that have been brought before the Commission, only the Jackson report gives a solid objective of adding approximately 5,000 seats to the market for the winter season. This type of measurable and time-bound objective would provide clear deliverables that would then allow the Division and Commission to measure the success of the program upon completion of the contract. Without such tangible benefits, it is hard to justify individual projects in practical terms. This lack of concrete, measurable

performance metrics makes the pre-project report a less valid and effective tool for determining the success of a project.

The Division, however, does not plan to assign specific numeric objectives for the project summary. The position the Division takes is that setting a numeric objective within the project to determine success is not an accurate measure, as factors outside of the contract could have impacted those numbers. Additionally, the Division states that forecasting would be necessary to establish those specific numeric objectives and forecasting is not an objective and accurate measure. Furthermore, the Division states that defining a specific numeric objective for each performance requirement and then potentially tying future funding to the accomplishment of these objectives could inadvertently put the Division and Commission in a position to choose winners and losers in a way that may seem arbitrary.

The Post-Project Summary seems to be an excellent method of evaluating each project. The prior contract performance next to the current contract, along with the variance, allows the reader to see the differences in performance and will help to generate specific, focused discussion related to contract performance. The summary is sufficient and appropriate evidence to demonstrate progress regarding the audit recommendation.

The evidence presented generally fulfills the requirements of sufficient and appropriate evidence to address the recommendation.

Additional LSO Recommendations

5. The Division should establish baseline measurable targets in the pre-project summaries. Once the post-project summaries are completed, future targets can be adjusted based on the comparison of projected versus actual figures.

Previous Recommendation 3.12

The Commission and the Division should establish formal benchmarks for determining the success of ASEP. While doing so, the benefits required pursuant to W.S. 10-3-601(b) should be included.

Background from LSO Audit Released on September 28, 2012

W.S. 10-3-601(g) states that “*The Wyoming aeronautics commission will establish benchmarks for determining the success of the program.*” Currently there are no formal benchmarks for determining if the program is successful. Lacking a standard of success decreases the ability to accurately determine the funding needed for the program, the direction of the program, and the ability to adhere to the statutory intent.

Aeronautics Commission Progress towards Implementation of Recommendation

During the May 2013 Commission meeting, the Division presented the Benchmark Report in order to address Audit Recommendation 3.12. The Benchmark Report is a good beginning to tracking the statutory benefits pursuant to W.S. 10-3-601(b). This report does clearly set forth those statutory benefits and the data contained in the report is a good starting point to understanding how well communities and projects have achieved those benefits.

However, the Report also has some clear problems: namely, the lack of meaningful analysis of the data and summary data reporting at the project level.

First, and most importantly, the Commission specifically requested that the report not simply contain raw data, and that it be easily digestible for the Commission. The current format of the Report does not appear to fulfill this request; however, the Division reports the Commission’s satisfaction with the report in the current format. The report should contain meaningful analysis and narrative regarding included data, rather than a large amount of raw data. Currently there is no analysis in the Report; nowhere does the Report give a meaningful narrative as to whether projects are or are not successful. It is, however, acknowledged that Division staff as well as the contractor summarized the data included in the report when presented at the monthly meetings.

LSO Progress Review

Due to the need of additional data analysis within the report, the Benchmark Report in its current form is not valid or relevant to address the recommendation concerns according to Governmental Auditing Standards. The Audit Recommendation states that benchmarks should be set to determine the success of the Air Service Enhancement Program; however, benchmarks have not been set by the Benchmark Report. In other words, there have been no goals set for projects, and no analysis has been performed in the Report to determine if the projects or the Program is successful.

Also of importance is the fact that the Report is separated into tabs based on the above listed statutory benefits. Within each tab, data related to each topic is provided by community.

Although the data provided is extensive, it is important to note that the data is still presented by year rather than by project. In other words, if the project term did not match the calendar year, then that project is not presented as a discrete set of data. Therefore it would be a faulty means of comparison to show a calendar year's worth of historical data when contemplating a new project outside of the new calendar year.

The Division states they do not intend to include project specific data in the monthly benchmark report and will only include this data in the initial and post project summary reports. Aside from not receiving frequent benchmark reporting at the project level, the level of detail of measurements is currently inconsistently reported in the pre-project reports. This issue is discussed in further detail under Recommendation 3.11. While the post project report does detail measures for most of the statutory requirements of W.S. 10-3-601(b), it lacks discussion around provision to increasing frequency or sustaining flight operations from commercial airports in Wyoming to regional airport hubs.

Overall it appears that the data gathering methods previously utilized by Forecast, Inc. have been reconfigured into a different format for the Benchmark Report. Although the Report could be used as a foundation for a meaningful tool to be utilized by the Commission, additional work is required in order to make the Report serve its purpose and accomplish the goal set out in Audit Recommendation 3.12.

Additional LSO Recommendations

6. As post-project summaries are completed, the Division should incorporate the comparisons for individual projects' anticipated and actual target data into the Benchmark Report. Ultimately, the performance data for individual projects should be used collectively to illustrate the success of ASEP.

Previous Recommendation 3.13

The Commission and the Division should promulgate rules to ensure that ASEP is consistent with legislative intent, including but not limited to the benefits listed in W.S. 10-3-601(b). Rules should also define benchmarks for the success of the program in accordance with W.S. 10-3-601(g). Finally, rules should annotate a process for approving non-MRG project applicants.

Background from LSO Audit Released on September 28, 2012

The Division has not promulgated rules related to ASEP, which could be helpful to establish a process to ensure that statutory benefits occur, as well as requiring certain language in applications and contracts to this end. For example, the focuses discussed above related to statutorily listed benefits could be prioritized within rules. Projects that fall outside of the statutory prescriptions may take lesser priority than other projects. Additionally, ASEP has no set process for dealing with noncompliant grantees. Without specified rules, the state is at risk of losing money when sponsors are noncompliant.

Non-MRG projects are not required to follow the application process governing MRG projects. Lacking an application process means that the Commission cannot adequately judge whether or not a project has the potential to address the stated problem. Furthermore, there is no standard against which project outcomes can be measured to determine the success of the individual projects.

Aeronautics Commission Progress towards Implementation of Recommendation

Currently no progress has been made towards establishing rules for the Air Service Enhancement Program. According to documentation provided by the Commission, the audit recommendation is to be saved for “*last after other items are resolved,*” and is scheduled to be put on the Commission agenda at a future meeting.

LSO Progress Review

As Recommendation 3.13 has not been addressed by the Commission, evaluation of the recommendation is premature. However, efforts towards defining benchmarks for the program are addressed in the above discussion of Recommendation 3.12.

Additional LSO Recommendations

7. In anticipation of rule promulgation, the Commission and Division should be working on draft language as recommendations are addressed and implemented.

Previous Recommendation 3.14

The Commission and the Division should periodically identify the types of projects they believe are important to fund for any given year in case budgetary constraints are a factor.

Background from LSO Audit Released on September 28, 2012

The program offers several types of grants, as statute allows for a broad interpretation of “*air service enhancement*.” ASEP primarily funds minimum revenue guarantee (MRG) and marketing projects, although other types of projects, such as providing funds for the purchase of oxygen compressors, have also been approved.

MRG projects are the highest-dollar project type and receive the majority of the program’s budget. One of the main obstacles for airlines in Wyoming is the high level of risk on the part of airlines; if an adequate number of passengers do not utilize flights, providing continued air service is not feasible. Revenue guarantees work as a safety net for airlines, reducing the risk of lost revenue. If airlines fail to reach a specified number of enplanements, the revenue guarantee funds serve as a supplement, allowing the airlines to recoup their costs and continue to provide service.

Marketing projects funded through ASEP are intended to specifically align with services provided under MRG projects. For example, if a community began new service under an MRG project, that new service could be marketed under an ASEP project. In other cases, established airlines may be marketed. Specifically, Casper applied for an ASEP marketing contract as a result of negotiations with United; the airline agreed to upgrade equipment at their own expense if the airport sponsor provided marketing for the upgrade in service.

Aeronautics Commission Progress towards Implementation of Recommendation

According to the Division and the Commission, no progress has been made on this audit recommendation, although the stated goal of the Commission and the Division is to keep the level of service currently provided.

Of note, however, is that during the August 20, 2013 meeting discussion occurred updating ASEP grant amounts as per Recommendations 21 and 22 of the original audit. This discussion is indirectly related to the above recommendation but indicates movement in the direction of prioritizing projects and identifying programmatic goals.

LSO Progress Review

As Recommendation 3.14 has not been addressed by the Commission, evaluation of the recommendation is premature.

Additional LSO Recommendations

None required.

Previous Recommendation 3.15

The Commission should review the current contract with Forecast, Inc. to ensure deliverables are being fulfilled. Additionally, the Division should establish a process for regular review of contractor obligations to ensure contract provisions are met.

Background from LSO Audit Released on September 28, 2012

Forecast Inc. is the primary contractor with the Division. According to the Division, “*Forecast monitors fares at each of the commercial airports in the state to the top 20 origination destination markets as well as several key competitive airports.*” The state has been contracting with Forecast, Inc. since 2008, according to the Division, and the current agreement is still active. The current two-year contract amount for Forecast, Inc. is \$179,500, which amounts to \$89,750 annually.

The contract has been perpetually amended regarding the effective date and the payment amount, but the contents of the contract itself as well as the scope of work have not been updated or evaluated.

One area of concern to evaluators was what appears to be the lack of fulfillment of Forecast, Inc. contract requirements. The contract contains a scope of work that outlines Forecast, Inc.’s responsibilities, some of which have not been completed. In addition, some of the responsibilities of Forecast, Inc., as described above, are not explicitly annotated in the contract’s scope of work; for example, contract negotiations, airline service negotiations, auditing invoices, and ASEP strategic planning are not within the scope of work and should be.

Aeronautics Commission Progress towards Implementation of Recommendation

The Commission plans to renew the original contract at the end of the calendar year after hiring a new ASEP Manager. This process is being undertaken at the advice of WYDOT’s Engineering Services supervisor based on good business practice. It should be noted, however, that documentation provided by the Division does not indicate the current contract has been reviewed with respect to deliverables.

Division staff foresees the continued need for a consultant to provide detailed data analysis; additionally, Division staff stated that going through a new selection process does not mean the same firm cannot be re-selected. The process will begin once the Commission has selected a new Air Service Enhancement Program Manager, and that advertising for the position could occur as early as October 2013, dependent on the workload of the Division Administrator.

LSO Progress Review

More information regarding the plan for the consultant selection, mechanics of the RFP, and interaction with the new ASEP manager is necessary in order to determine if this course of action will be appropriate and sufficient to address Recommendation 3.15.

Additional LSO Recommendations

None required.

Previous Recommendation 3.16

The Commission should reevaluate the Forecast, Inc. contract in relation to the five statutorily outlined requirements. Additionally, the Commission should determine if contracting for services with the other companies discussed in the finding is being done in the most cost-effective manner.

Background from LSO Audit Released on September 28, 2012

According to the Division, it has contracts with four data providers. In addition, it contracts with Forecast, Inc. to collect and further analyze data provided from other sources.

- ATPCO is a contractor that, according to the Division, *“is used to monitor airline pricing changes relative to Wyoming’s commercial air service.”* It collects and distributes airline fare and fare-related data related to carriers that may impact Wyoming’s air travel. According to Forecast, Inc., the Division utilizes ATPCO to review airline fares, nesting structures and rules associated with individual prices filed for travel to and from the state.” The contract with ATPCO is \$60 per month, or \$720 annually.
- QL2 is a contract that, according to the Division, *“is used weekly to track fares 35, 28, 21, 14, 7, and 0 days in advance of travel.”* The fares are tracked with respect to individual markets from each of Wyoming’s airports. According to Forecast, Inc., *“with this data we’ve been able to analyze and monitor key trends as they affect our state’s air traveling public.”* The amount budgeted for contracting with QL2 is \$10,800 annually.
- Airline Reporting Corporation (ARC) *“is the system of data that we use to track leakage in each of our individual communities.”* According to Forecast, Inc., the Division is able to use multiple geographic aggregation options such as mileage radius, metro area, city, state, and ZIP code to track air ticket purchases. The contract with ARC is for \$500 per month; although the Division states that the state contracts directly with ARC, the Budget Forecast document provided to the Commission at the May 17, 2012 quarterly meeting lists ARC’s expenses as falling under the Forecast, Inc. contract.
- Diio Mi is a subcontractor under the Forecast, Inc. contract. According to the Division, *“Diio is used for our analysis as it pertains to monitoring such things as flight schedules, market sizes from each of Wyoming’s communities and tracking load factors, revenues and costs as it pertains to the airlines supported through ASEP.”* The total spent on Diio Mi within the Forecast, Inc. contract is \$18,000 annually.

Aeronautics Commission Progress towards Implementation of Recommendation

Currently no progress has been made on this audit recommendation. It is unclear if an evaluation of the contracts listed above will also occur during the new contractor selection slated for the end of calendar year 2013.

LSO Progress Review

More information regarding the plan for the consultant selection, mechanics of the RFP, and interaction with the new ASEP manager is necessary in order to determine if this course of action will be appropriate and sufficient to address Recommendation 3.16.

Additional LSO Recommendations

None required.

Previous Recommendation 3.17

The Division should develop a process to evaluate and compare state and local Forecast, Inc. contracts to prevent duplication of information and overpayment to vendors.

Background from LSO Audit Released on September 28, 2012

Multiple contracts with Forecast, Inc. occur at the local level, without any real process to ensure that state money is not being expended for something already paid for by the local sponsors, or vice versa.

Forecast, Inc. is contracted with both the state and several local sponsors. Sponsors that have contracted with Forecast, Inc. include Gillette, Rock Springs, Casper, Cody, Sheridan, and Jackson. Laramie has received information regarding air services, but does not have a formal contract. Although evaluators found no actual instances of the state and an airport sponsor receiving the same information under different contracts with Forecast, Inc., the Division lacks a formal process or policy for reviewing contract language for duplication of services. This lack of established review process creates the risk of potential overlap and duplication between the local and state contracts.

Aeronautics Commission Progress towards Implementation of Recommendation

Documentation provided by the Division states that staff plan to obtain contracts from Forecast, Inc. and individual communities in order to conduct this review process. The goal for progress on this recommendation is for the second quarter of calendar year 2014; however, dependent on this date are the following elements:

- Getting a new Air Service Enhancement manager in place.
- The time it will take for a new manager to get up to speed in the job.
- The new manager's ability to tackle this task given other priorities within the program.
- Whether the Aeronautics Division continues contracting with Forecast, Inc. in the future.

LSO Progress Review

More information regarding the plan for the consultant selection, mechanics of the RFP, and interaction with the new ASEP manager is necessary in order to determine if this course of action will be appropriate and sufficient to address Recommendation 3.17.

Additional LSO Recommendations

None required.

Previous Recommendation 3.18

The Division should ensure that its modified ASEP database will be able to track statutorily required goals.

Background from LSO Audit Released on September 28, 2012

WACIP project information and ASEP project information are retained in two separate systems: the WACIP information in an Access database and the ASEP information in an Excel spreadsheet. The Division plans to move the ASEP information into the Access database used for WACIP projects for better information tracking. This dual-program database would be called the Aeronautics Database, a term already used to refer to the WACIP Access database. The move towards a new database could be an opportunity for the Division to work with Forecast, Inc. or other contractors to input and track data within a Division database for reporting.

Division personnel stated that the migration from the ASEP Excel database to the Access database is currently taking place. However, the project has not progressed throughout the time of the audit. When asked, Division personnel stated that the Access database is being developed in-house, and a meeting in January 2012 was scheduled to occur that would settle details, with the database being finalized “*very soon*” after the meeting. However, further correspondence revealed that lack of communication between personnel was creating delays in the conversion. During fieldwork in April 2012, Division personnel stated that further progress on the Access database conversion had not occurred.

Aeronautics Commission Progress towards Implementation of Recommendation

Information provided by the Division states that the statutory goals are now tracked through the pre- and post-project reports rather than through an ASEP database. For a further discussion of the pre- and post-project reports, see Recommendation 3.11 above.

Additionally, the Division has established a new ASEP Database system. The following information is available through the database:

- Community details such as name, project status, project number, project type, airline name, market, sponsor, and grant information.
- The Additional Cost of Service section includes: waived fees, ground handling equipment, marketing/promotion, terminal configuration, environmental assessments, categorical changes, operational requirements, landside improvements, and other costs.
- A link to an accompanying worksheet which allows changes to be made and for the generation of a Funding Worksheet is accessible from the ASE Grant Projects page in addition to funding information. Funding information includes: maximum total funds, maximum state share, maximum local share, pre-negotiated amounts, original funding, active remaining, reallocate (pending), reallocate (available), reallocate (complete) ASE budget forecast adjustment notes that are linked through the database. Payment

information for State and community payments as well as payment tracking information is also featured in the new ASEP database.

LSO Progress Review

Recommendation 3.18 actually references two topic areas: first, the tracking of statutory goals, and second, the Division's development of an ASEP database. The tracking of statutory goals is discussed in the evaluation of Recommendation 3.11; generally, the two reports are determined to be sufficient and appropriate for tracking the intended goals.

Additionally, the development of an ASEP database fully addresses the concerns raised in this area in the original audit report.

Additional LSO Recommendations

None required.

Previous Recommendation 3.19

WYDOT should work with the State Auditor's Office to develop a specific Highway Fund Account for ASEP. To originally meet the intent of the carry-over statute, WYDOT created a separate budget unit (1002) within the State Highway Fund (H06). Monies expended from H06 are reimbursed by expenditures from the General Fund throughout the biennium. This, however, does not present as much transparency as a separate fund account would provide.

Background from LSO Audit Released on September 28, 2012

Unexpended funds revert to the ASEP account after the close of each project, as ASEP projects often have large amounts of unexpended monies. The unexpended funds that return to the ASEP account can be reallocated to other projects. Funds that are unexpended and not allocated for new projects remain in the program account as a carryover amount rather than reverting to the General Fund.

Evaluators found that the carryover amounts were not clearly communicated to the Commission or in budget documents to the Legislature. Although the Division stated that carryover amounts are communicated to the Commission, evaluators found no documentation in the monthly ASEP Update that this communication occurred on a regular basis. Upon request, WYDOT's Fiscal Services worked with evaluators to identify carryover amounts since the existence of ASEP. It should be noted that carryover amounts do not impact appropriation amounts; that is, funds are appropriated to the account in addition to the current carryover balance.

Wyoming Statute 10-3-602 Wyoming Air Service Enhancement Account, subsection (b) states "Any funds appropriated by the Legislature to the account established under subsection (a) of this section shall not lapse as provided by W.S. 9-4-207 (a), but shall revert to the air services enhancement account within the highway fund on September 30, 2007."

Aeronautics Commission Progress towards Implementation of Recommendation

Fund H11 has been developed by the State Auditor's Office and is currently being used exclusively by the Air Service Enhancement Program. The Wyoming Online Financial System (WOLFS) documentation demonstrates the use of Fund H11 by the Program.

LSO Progress Review

The WOLFS documentation appropriately and sufficiently demonstrates that Recommendation 3.19 has been fulfilled.

Additional LSO Recommendations

None required.

Previous Recommendation 3.20

The Division should consistently report annual carryover amounts for consideration by the Commission and the Legislature as part of the appropriations process.

Background from LSO Audit Released on September 28, 2012

Unexpended project amounts which comprise the carryover amount within the Air Service Enhancement Program can be partially attributed to the nature of MRG projects. If revenues are adequate for the airlines during the contract period, the guarantee is not needed, and can revert back to the account. The original audit report found that individual project reversions were tracked by the Division on the ASEP Excel spreadsheet used for project tracking. However, this information was not presented in written format to the Legislature or the Commission at the project level. The Division did state that staff provides verbal updates to the Commission on reversions.

Aeronautics Commission Progress towards Implementation of Recommendation

The primary document the Division has developed for use by the Commission is the ASE Budget Forecast document. This report details budget information by fiscal year, including standard appropriations and any supplements, adjustments, or exceptions; forecasted additional expenses such as data purchases, marketing, and consulting; forecasted grant support; and carryover balance.

This report is a modified version of previous budgetary reporting and allows the Commission to view the current budget of the program as well as view past and future information. The important revision to this document from the time of the audit is the inclusion of the carryover amount from year to year, particularly in the forecast amount section. The Division also anticipates including this report document within WYDOT's budget packet in order to communicate the carryover amount to the Legislature.

LSO Progress Review

The ASE Budget Forecast document fulfills Recommendation 3.20. The document is sufficient and appropriate to consistently report annual carryover amounts; that the document is provided monthly to the Commission and will be provided to the Legislature addresses the concerns raised in the recommendation.

Additional LSO Recommendations

None required.

Previous Recommendation 3.21

The Division should consistently report the amount and frequency of project reversions to the Commission, especially before the Commission votes on new funding requests.

Background from LSO Audit Released on September 28, 2012

The original audit found that there was no formal process in place for reevaluating the MRG funding granted to communities based on reversion amount. No documentation existed to indicate if the Division monitored or analyzed reversions, and there was no indication that reversions were considered when determining new project funding for communities.

Reversions were not reported in written format to the Commission, either at the close of projects or when new projects were being presented for approval. Such a lack of reporting could give the Commission an unclear picture of the actual need of the community versus the amount desired by the airline.

Aeronautics Commission Progress towards Implementation of Recommendation

There are two methods currently used by the Commission to address Recommendation 3.21. These are, first, the Grants by Community report, and second, the inclusion of project reversions in the pre- and post-project reports mentioned in relation to Recommendation 3.11 above.

The Grants by Community is provided monthly to the Commission and shows reversions for all projects.

According to the Division, there are currently plans to add the individual project reversion to the Post-Project Report recently generated for the Commission. This addition would allow for the Commission to review the project's reversion at the close of each project; however, it would not allow the Commission to review project reversions for more than one project. While the individual project reversion amount in this report would be very informative and helpful, it does not fully address the recommendation; project reversions for several previous years would be helpful to review in order to determine any trend by community, such as if the project amounts are consistently over- or under-forecasted. Additionally, the information should be present for the Commission when considering funding new projects rather than just at the close of projects.

LSO Progress Review

The current reporting methods reviewed by the Commission do not fully address Recommendation 3.21. The frequency of project reversions should be reported to the Commission prior to voting on new funding requests; the current reporting framework does not allow the Commission to review the frequency of project reversions.

Additional LSO Recommendations

8. In addition to reporting individual project reversions in the post-project reports, the Division should report project reversions to the Commission prior to voting on new funding requests in order to review the frequency of project reversions.

Previous Recommendation 3.22

The Division and the Commission should establish measures independent of airline influence to determine the appropriate grant amounts, including local match amounts, and adjust grant amounts based on performance indicators as specified by W.S. 10-3-601(b).

Background from LSO Audit Released on September 28, 2012

The rationale for grant amounts are not formally tracked or evaluated by the Commission or Division staff. Formal cost or market analysis is used by the Commission prior to project approval. However, another primary standard against which the Commission is able to measure the need for funding is the determination of the airlines and the prior funding received by the community. The latter standards lack objectivity, as the Commission often does not see the amount reverted at the close of the previous project, and the airlines are unlikely to volunteer lower rates and risk reducing their unchallenged funding requirements. Therefore, similar amounts are granted to communities from year-to-year without formal evaluation of previous spending or community needs and characteristics on the part of the Commission or the Division.

An excellent example of a community consistently receiving unevaluated dollar amounts is Jackson. As the largest air service provider in Wyoming, Jackson enjoys a higher level of passengers and revenue than other airports in the state; nevertheless, Jackson has received an increasing amount in revenue guarantees since 2004; a \$600,000 MRG project was approved for 2012. Although it may be a reality that even the largest service provider in Wyoming still has a need for state subsidies, it is questionable that dollar amounts provided by the state perpetually increase, especially in a community with lower risk to airlines than other Wyoming communities.

However, the concept of decreasing the dollar amount provided in MRGs based on positive airline performance is not a priority of the Division. When asked about the potential benefit of reducing funding for communities that are performing well with the goal of airline self-sustainability, Division staff stated,

“Just because the air service is doing better from year-to-year does not equate into the airlines wanting to take on more risk. The Division and the air service group strive to pay as little as necessary to secure the service, but often times the airlines, even though seeing we are becoming more successful, will not pass those “successes” on from year-to-year. Philosophically, we agree that the MRG’s maximum payout amounts should be reduced over time when based on downward historical trends of actual payouts. The Commission is currently discussing ways to shift a greater portion of the risk to the local air service groups so that more ASEP funding is available for other opportunities.”

Aeronautics Commission Progress towards Implementation of Recommendation

Recommendation 3.22 was scheduled to be voted upon at the August 20th, 2013 Commission meeting. Prior to the meeting, Division staff sent out informational items regarding the recommendations including recommendations as to discussions that the Commission should have in determining the direction of Division action in relation to the audit recommendations. These topics included:

- Initial match determined by the state and communities' ability to pay?
- Declining state match over time?
- Does the Commission support the service for only a limited time?
- Is the community carrying its weight with regard to the service (i.e. appropriate level of marketing, task force or other community group dedicated to the success of the service, etc.)?
- What other outside factors need to be evaluated? (i.e. reliability, maintaining an appropriate schedule, etc.)

During the September 17, 2013 Commission meeting, potential methods to address the recommendation were discussed. Those methods include:

- Develop measures for performance indicators as a base of the total grant amount and quantifiable baseline to begin negotiation
- Utilize existing measures to help the Commission decide about funding allocation and local match amounts
- Emphasis on community sectors based upon the level of benefit provided by air service
- Existing AIP match structure
- Historical patterns of funding established by negotiation
- Economic impact and community ability to match funds
- Local level of air service support
- Potential additions to the initial and post project summary
- Need for community oversight regarding air service decisions
- Need for evaluation on a case by case basis

- Factors for determining local match like: economic impact, airport impact, passenger retention, air fares, local sales tax, passenger enplanements, contract duration, community support, community growth

It is unclear what method(s) were selected during this meeting.

LSO Progress Review

Discussion generated by the Commission indicates that the recommendation is in progress, but no evidence has been provided at this point.

Additional LSO Recommendations

None required.

Previous Recommendation 3.23

The Division and the Commission should require applicants to provide proof that Commission funding is necessary because other avenues of funding are unavailable, pursuant to W.S. 10-3-601(d)(ii).

Background from LSO Audit Released on September 28, 2012

W.S. 10-3-601(d)(ii) states that for applications to be given priority, applicants must show that “*participation by the commission is necessary to the success of the enhancement because funding from other sources for the enhancement is unavailable.*” However, within the sampled projects, there was no documentation regarding applicants seeking other sources of funding, and it was concluded that communities are not formally encouraged to explore different avenues of funding, particularly federal funding.

Aeronautics Commission Progress towards Implementation of Recommendation

During the August 20, 2013 Commission meeting, action regarding Recommendation 3.23 was discussed; this discussion was relatively straightforward. Division staff stated that it would be simple to add language to the application questioning if the applicant has explored other funding sources. The application specifically asks whether or not an application has been submitted to the USDOT for a SCASD grant and requests supporting details to both yes and no responses. In addition, the Division plans to add a statement to the ASEP application in which the sponsor will certify that funding through the ASEP is necessary because other avenues of funding are not available.

Additionally, Division staff stated that they will make efforts to ensure that local airports are made aware of other funding sources that are available to them, like the Small Community Air Service Development Grant. Ultimately the Commission voted to include language in Air Service Enhancement Program grant applications to certify that the applicant explored other funding options.

LSO Progress Review

Certifying that other avenues of funding are unavailable fulfills the obligation raised by the recommendation. However, it is also important to acknowledge that there is a difference that can be exploited between certifying that other avenues are not available and that other avenues have been explored. It would perhaps be more useful to ask the applicant to list what other avenues have been explored; such a measure would allow the Commission to clearly see what effort has been made on behalf of the applicant.

Additional LSO Recommendations

None required.

Previous Recommendation 4.24

WYDOT's Internal Review Service should monitor Commission loan projects. In addition, the Internal Review Service should create auditing criteria based on high-risk areas and provide sub-recipient certification to local airports.

Background from LSO Audit Released on September 28, 2012

The Wyoming Department of Transportation (WYDOT) does not actively monitor airport loan projects. Also, Division staff does not conduct audits of airport loan projects, nor do personnel have the audit backgrounds to conduct such oversight. Lack of oversight increases risk related to misuse of the loan funds. It should be noted that Chapter 2 Commission Rules allow the Commission to “*audit the records of the applicant and inspect the construction and operation of the project at any time during the term of the loan.*”

WYDOT's Internal Review Services reviews samples of airport construction projects related to the A-133 process (projects receiving \$500,000 or more in federal funds). However, additional audits of airports receiving loan funds to ensure that internal controls are adequate, that state assurances are met, that projects are done in accordance with project specifications, or that improper bid processes do not occur, are not conducted. As a result, there is a risk that state dollars are being expended without adequate oversight.

Aeronautics Commission Progress towards Implementation of Recommendation

The Division and Office of State Lands and Investments (OSLI) are in close communication and making progress in establishing the roles and responsibilities of the Loan Program.

The Division provided documentation was an update on the timeline of discussion between the Division and OSLI. Of note in this timeline is that discussion began regarding transition of the Loan Program in March of 2013; the two entities coordinated on drafts of rules changes, and the public comment period for the rules extended from July 15, 2013, to August 31, 2013. Also of note is that as of June 24, 2013, all files for current loans were turned over to OSLI; additionally, on June 27, 2013, a letter was sent to all airports with current loans explaining the transfer of loans to OSLI. Finally, on July 18, 2013, the Division notified all Wyoming airports of the new loan process.

WYDOT's Internal Review Service will incorporate the audit of loan projects in its FY 2014 Work Plan under the category of *FY 2014 Projects for Consideration*. However, the actual completion of this type of audit will be dependent on the following:

- Finalization of the loan process between WYDOT and the State Loan & Investment Board
- Assessment of risk the loan projects have to WYDOT in relation to other risks to the department

- Availability of Internal Review staff resources and priorities of federally mandatory audits

LSO Progress Review

Evidence that the Division and OSLI have been in communication has been presented. WYDOT's Internal Review Service has not yet audited loan projects, but plans to do so in FY2014.

Additional LSO Recommendations

9. WYODOT's IR Service should begin reviewing loan projects based on a risk assessment for inclusion in its FY2014 Audit Plan.

Previous Recommendation 5.26

The Division should encourage local airports to apply for and fully utilize SCASDP funding. Furthermore, EAS funding may serve to alleviate anxieties over potential airline departure.

Background from LSO Audit Released on September 28, 2012

The Small Community Air Service Development Program (SCASDP) was established in 2000 by federal mandate and provides a maximum of forty (40) grants each year in financial assistance to small communities to improve their air service. According to the FAA's Office of Aviation Analysis, the "core objective of the program is to secure enhancements that will be responsive to the community's air transportation needs and whose benefits can be expected to continue after the initial expenditures."

Similarly to many Wyoming projects, the grants are distributed on a reimbursable basis. SCASDP grants may be used for airline subsidies or revenue guarantees, but also like ASEP, grants are not limited to this purpose. Grant projects can also include marketing efforts, security upgrades, personnel, and studies. Like the Air Service Enhancement Program, SCASDP articulates one of its primary goals as establishing air services that can be self-sustaining after the grant period has elapsed. Wyoming communities have received three grants under this program; Casper/Gillette received \$500,000 in 2002; Wyoming Consortium received \$800,000 in 2005; and Casper-Natrona County International Airport received a grant in 2012, according to the Division. The Casper/Gillette grant was cancelled for unspecified reasons.

Although the EAS is not a grant program, it provides communities with a safety net in the case of cessation of air service. The purpose of the program is to maintain a minimal level of scheduled air service to rural communities that would otherwise not be profitable. Communities must directly apply for these funds. Approximately 140 rural communities are served through the program.

Aeronautics Commission Progress towards Implementation of Recommendation

According to Division documentation, this recommendation is to be addressed after other audit recommendations are resolved due to workload. However, it is worth noting that an email was sent by the Division to all commercial airports in Wyoming informing them that the SCASDP grant was available for application.

Additionally, during the August 20, 2013 Commission meeting, Division staff mentioned that many airports were previously unaware of the SCASDP grant and that the Division was working to raise awareness of other avenues of funding that may be available to airports. Currently the Division is in the process of calling each airport to discuss the SCASDP program.

LSO Progress Review

Evidence provided regarding the progress of Recommendation 5.26 is the email sent from the Division supervisor to airport administrators and the in-progress telephone calls to airports. This evidence addresses the recommendation, but further information would be necessary to determine if the evidence is sufficient and appropriate.

Additional LSO Recommendations

None required.



AGENCY RESPONSE

Wyoming's Aeronautic Commission Follow-Up





Matthew H. Mead
Governor

Wyoming Department of Transportation

"Providing a safe, high quality, and efficient transportation system"

5300 Bishop Boulevard
Cheyenne, Wyoming 82009-3340



John F. Cox
Director

October 25, 2013

Senator John Schiffer, Chairman
Representative David Miller, Chairman
Management Audit Committee
Wyoming State Legislature
213 Capitol Building
Cheyenne, WY 82002

Dear Chairman Schiffer and Chairman Miller:

The Wyoming Department of Transportation appreciates the opportunity to comment and respond to the LSO Draft Report: Wyoming Aeronautics Commission: Follow-up Audit, November 14, 2013.

The Department, Aeronautics Commission and Division have been working on the requirements of the original audit, and in a recent meeting, the audit team conveyed their appreciation for the progress made to this one-year point.

We appreciate the opportunity afforded the Commission and Division to develop and submit responses to this year's follow-up audit results and recommendations.

Sincerely,

John F. Cox
Director

JFC:kso

cc: Charlie Ksir, Chairman, Aeronautics Commission
Pete Schoonmaker, Vice-Chairman, Aeronautics Commission
Dennis Byrne, Division Administrator, WYDOT Aeronautics

Wyoming Department of Transportation Aeronautics Division
Response to
Management Audit Committee and Legislative Service Office Program
Follow-up Audit of Wyoming Aeronautics Commission

Additional Recommendation 1: “The Division should continue to produce and present the WACIP Six-Year Unfunded Needs document to the Commission. It should also work towards identifying projects within the document that are closer to “shovel ready” than others.”

Partially Agree: The Division will continue providing the WACIP Six-Year Unfunded Needs document. In addition, the Division agrees with the concept of having projects available which could be granted and ready for construction in a short amount of time, should additional funds become available. The Division will need to work closely with local government/airport sponsors to ensure the sponsor can be ready to receive and match the additional funds. The Division will develop a plan to identify the best projects for “shovel ready” coordination, and then follow through so that these projects are within 75% to 85% of being ready for bidding in case funding becomes available. This plan will become part of the Division’s internal procedures so that it is not only a short term solution. The Division believes the best choice of projects to be considered for “shovel ready” should come from the latter part of the WACIP 6-year (funded) program of projects in the WACIP. These projects could be funded earlier than programmed if the money becomes available. The projects in the WACIP Six-Year Unfunded Needs document would then be in consideration to be moved into programmed status as outer year funding is freed up by the process.

Additional Recommendation 2: “The Division should assure that the updated AIPP will include goals and measurable objectives that are communicated consistently to the Legislature through the budget and other processes, with respect to measuring the performance of WACIP”

Agree: The Division will ensure that the updated AIPP will include goals and measurable objectives and will add a narrative to the budget document to communicate those goals and measurable objectives to the legislature to assist with measuring the performance of the WACIP.

Additional Recommendation 3: “The Division should assure that the updated AIIP will include goals and measurable objectives that are communicated consistently to the Legislature through the budget and other processes, with respect to measuring the performance of WACIP.”

Agree: In addition to the response for Additional Recommendation 2, the Division will ensure the updated AIIP report card will be reported on the WYDOT website and specifically provided to the Aeronautics Commission on an annual basis during the budget workshop.

Additional Recommendation 4: “The Division should begin using the closeout procedure checklist in a consistent manner.”

Agree.

Additional Recommendation 5: “The Division should establish baseline measurable targets in the pre-project summaries. Once the post-project summaries are completed, future targets can be adjusted based on the comparison of projected versus actual figures.”

Agree: The Division will establish baseline measurable targets to include in the initial-project summaries.

Additional Recommendation 6: “As post-project summaries are completed, the Division should incorporate the comparisons for individual projects’ anticipated and actual target data into the Benchmark Report. Ultimately, the performance data for individual projects should be used collectively to illustrate the success of ASEP.”

Partially Agree: The Division agrees that there is a benefit to forecasting as a means for comparison. Anticipated data will be used to help measure how good the Division is at forecasting; however success is not determined by anticipated and actual target data alone. The Division evaluates the following to determine the success of projects.

- If a positive trend is identified within the six statutorily identified areas or;
- If a project displays an overall improvement within the six statutorily identified areas versus comparable locations or as part of a national comparison or;
- If a project provides more benefit by being funded or in comparison to alternatives.

The Benchmark Report will incorporate comparisons that reflect these areas as a component to illustrating the success of ASEP.

Additional Recommendation 7: “In anticipation of rule promulgation, the Commission and Division should be working on draft language as recommendations are addressed and implemented.”

Partially Agree: In the response to the initial audit, the Aeronautics Commission agreed to “...discuss the need for promulgating such rules specific to legislative intent.” In keeping with this response, the Aeronautics Commission agrees to discuss the need for promulgating such a rule.

Additional Recommendation 8: “In addition to reporting individual project reversions in the post-project reports, the Division should report project reversions to the Commission prior to voting on new funding requests in order to review the frequency of project reversions.”

Agree: The Division will report project reversions to the Commission on a monthly basis in the report that shows Percent of Grant Projects by City. A balance will be provided for active and maximum state share funds.

Additional Recommendation 9: “WYODOT’s IR Service should begin reviewing loan projects based on a risk assessment for inclusion in its FY2014 Audit Plan.”

Partially Agree: As IR develops the FY 2014 Work Plan we will take into consideration the loan program and the overall risk to the Department. However, it is unlikely that the loan program will present significant risk to the Department as all financial transactions are being handled by the Office of State Lands and Investments. IR will consider incorporating audit steps to audit loan records of entities selected for testing under the previous recommendation 2.1.

APPENDICES

Wyoming's Aeronautics Commission Follow-Up



APPENDIX A

Executive Summary from Original Audit (9/28/12)

Program Evaluation Section

Excerpt from September 28, 2012 Audit Report

Purpose

The Management Audit Committee requested an audit of the Wyoming Aeronautics Commission (Commission). Specifically, it requested that auditors conduct an analysis of the various types of federal and state grant construction projects and air service enhancement grants.

The Committee's request was based on overall concerns about current mission and whether the Commission's duties and responsibilities are appropriate given that mission. Since the previous Management Audit Committee evaluation in 2002, the Commission, as well as the Aeronautics Division (Division) has varied responsibilities and programs. The main statutory programs include: Airport Improvement Program (AIP); Air Service Enhancement Program; and the Loan Program.

Background

The Commission was created by the Legislature as an independent commission with its own staff, budget, and equipment primarily to coordinate air search and rescue missions, as well to enforce licensure requirements in 1937.

During the 1991 Wyoming State government reorganization, the Commission, along with its staff and budget, was transferred to the newly created Wyoming Department of Transportation through a statutory Type 1 transfer [W.S. 9-2-1707 (b) (i)].

The Commission's duties during this period were primarily to disburse state funds for the maintenance and improvement of runways and buildings necessary for cargo shipping, air taxis and ambulances, military transport, and commercial flights.

W.S. 10-3-101 (a) and (b) created the Wyoming Aeronautics Commission and established the number of commissioners and representative districts. W.S. 10-2-201 through W.S. 10-3-602 discuss statutory requirements related to the following areas: 1) powers and duties; 2) investigative authority; 3) airport construction and improvement grants and loans; and 4) air service enhancement financial aid.

In 2002, the Management Audit Committee directed its staff to conduct an evaluation of the Commission's mission and purpose. Staff recommended the Legislature consider making statutory changes to segregate grant duties and create a state-level advocate for air service in the state.

After the audit, multiple pieces of legislation passed, which provided additional responsibility and authority to the Commission. During the 2003 Legislative Session, Senate File 66 and Senate File 120 were adopted to modify the Commission's duties and to assign air service enhancement grant-making authority to the Wyoming Business Council (WBC).

Our evaluation examined three primary statutorily created programs: 1) Wyoming Aviation Capital Improvement Program (WACIP); 2) Wyoming Air Service Enhancement Program (ASEP); and the 3) Loan Program.

Results in Brief

Chapter 2: The Wyoming Aeronautics Commission and the Aeronautics Division are administering the federal Airport Improvement Program in compliance with federal law, federal regulations, and state law. However, certain areas can be improved to provide additional accountability, especially in the area of state-funded only airport construction grants.

- 1) WYDOT does not actively audit airport construction projects.
- 2) General Fund and State Highway Fund monies are not broken out in the budget request.
- 3) Priority Rating Model does not consider subjective criteria, is driven by federal funding, and inappropriately documented.
- 4) Needs Gap projects remain unfunded.
- 5) Division has facilitated the development of goals and indicators for WACIP, but those goals and indicators are not updated.
- 6) The Division spends little time discussing WACIP modifications with the Commission for its review and approval.
- 7) Files are not maintained in a consistent manner.

Chapter 3: The Air Service Enhancement Program (ASEP) provides minimum revenue guarantees and other assistance to airlines serving or anticipating serving Wyoming communities. However, the program does not routinely report data at the project level as it relates to statutory assurances. Also, the Division and Commission have struggled with establishing formal direction for the program.

In addition, the Division has not promulgated rules related to ASEP, which could be helpful to establish a better process to ensure that statutory benefits occur, as well as requiring certain language in applications and contracts to this end.

The Division expends \$125,270 annually for the purpose of analyzing data to monitor “leakage.” Also, \$480,080 has been expended on contracts with Forecast Inc., for analyzing data and other services. Contract language has not been updated to accurately reflect the deliverables received by the Division.

ASEP carryovers amount to \$1.9 million. Carryover amounts and reversions are not consistently tracked and reported to the Commission or in budget documents to the Legislature on an annual basis.

Four additional areas under the purview of the Division and Commission could be improved to increase overall accountability of the program: 1) Grant Amount Determination; 2) Minimum Performance Standards; 3) Contract Wording; and 4) Alternative Funding and local Match Determinations.

Chapter 4: The Wyoming Aeronautics Commission Loan Program is meeting statutory intent. However, oversight can be improved and the program could have better organizational placement to ensure additional accountability.

The loan program may be inappropriately placed within the Division. Although Division staff has expertise related to the programmatic aspects of aeronautics projects, they have no expertise in the area of banking or loan management. This may increase the chances of mistakes with loan processing, payment, or other areas.

There does appear to be a separation of duties with respect to the loans. For example, Division staff is responsible for the loan application process, WYDOT’s Financial Services prepares loan amortizations, and the State Treasurer disburses loan funds. Loan payments are received by Division staff, passed along to WYDOT’s Financial Services, and ultimately sent to the State Treasurer to post the payment to the appropriate loan account. More specifically, the principal payment goes back to the loan account, while any interest is posted to the PMTF. Although Division staff tracks payments, they do not break out interest payments; the State Treasurer’s Office completely tracks all activity on the loans.

Chapter 5: Maine appears to be the only comparator state identified as having a subsidy program through its aeronautics program. Maine’s aeronautics webpage identified The Small Community Air Service Program as statutorily intended to promote essential air service. The program was patterned after the federal Essential Air Service Program (EAS). Statute allows subsidies to be provided to certified FAA airlines as long as the requesting community only has one air carrier providing scheduled services.

Despite the fact that other states do not have a similar ASEP program, the majority of airlines that service Wyoming communities also service other states.

Even without a state funded program such as ASEP, comparator states may be attracting air service through the use of federal monies. Most of the comparator states reviewed during the course of the audit consistently use federal funding programs such as the Small Community Air Service Development Program (SCASDP) or Essential Air Service (EAS).

Agency Comments

The Wyoming Aeronautics Commission and the Aeronautics Division agree with 22 of 24 recommendations. They partially agree with recommendations #9 and #13. They did not comment on two Matters for Legislative Consideration (recommendations #2 and #25).

Copies of the full report are available from the Wyoming Legislative Service Office. If you would like to receive the full report, please fill out the enclosed response card or phone 307-777-7881. The report is also available on the Wyoming Legislature's website at <http://legisweb.state.wy.us>