



**OFFICE OF THE CITY AUDITOR**  
**COLORADO SPRINGS, COLORADO**

# 11-08

## Colorado Springs Airport Fixed Based Operators Contract Compliance

March 2011



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

## 11-08 Colorado Springs Airport Fixed Based Operators Contract Compliance

March 2011

### ***Purpose***

The purpose of this audit was to determine if the FBOs at the Airport were in compliance with the provisions of the ground leases and were accurately recording and paying the \$0.06 per gallon flowage fee per Ordinance 08-203 and Ordinance 09-37 in 2008 and 2009. We also attempted to verify the amount of Aviation Fuel Tax Reimbursement (AFTR) from the Department of Aviation.

### ***Highlights***

We concluded that the FBO ground leases, invoices and payments had been paid in a timely manner for 2008 and 2009. We determined that the fuel flowage amounts had been tracked, calculated and paid in a timely manner for 2008. Based on the work conducted by the State Auditor's Office, and the unavailability of this data to the OCA, we can only express limited assurance that the Colorado Springs Airport has received the correct amount of AFTR.

### ***Management Response***

No response was requested from Management.

### ***Recommendations***

No material recommendations were made.



# OFFICE OF THE CITY AUDITOR PUBLIC REPORT

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Date: March 25, 2011

To: Honorable Mayor and Members of City Council

Re: 11-08 Fixed Based Operators Contract Compliance Report

We conducted an audit of the Fixed Based Operators (FBOs) at the Colorado Springs Airport.

The purpose of this audit was to determine if the FBOs at the Airport were in compliance with the provisions of the ground leases and were accurately recording and paying the \$0.06 per gallon flowage fee per Ordinance 08-203 and Ordinance 09-37 in 2008 and 2009. Our audit period for reviewing the ground leases was for 2008 and 2009 and our review of the fuel flowage fees covered 2008. We also attempted to verify the amount of Aviation Fuel Tax Reimbursement (AFTR) from the Department of Aviation.

The review included four FBOs and their agreements with the Airport. Each FBO agreement included ground rental space fees and fuel flowage fees. In 2008, the State Auditor performed a review of the AFTR upon which we place limited reliance for amounts received by Colorado Springs Airport.

We concluded that the FBO ground leases, invoices and payments had been paid in a timely manner for 2008 and 2009. We determined that the fuel flowage amounts had been tracked, calculated and paid in a timely manner for 2008. Based on the work conducted by the State Auditor's Office, and the unavailability of this data to the OCA, we can only express limited assurance that the Colorado Springs Airport has received the correct amount of AFTR.

As always, feel free to contact me if you have any questions.

Sincerely,

Denny L. Nester, MBA CPA CIA CFE CGFM CGAP  
Interim City Auditor

Cc: Steve Cox, Interim City Manager  
Nancy Johnson, Assistant City Manager  
Mark Earle, Director of Aviation  
Gisela Shanahan, Assistant Director of Aviation

# Fixed Based Operators Contract Compliance Report

## Office of the City Auditor

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# Fixed Based Operators Contract Compliance Report

## Office of the City Auditor

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### REPORT DETAILS

#### PURPOSE

The purpose of this audit was to determine if the FBOs at the Airport were in compliance with the provisions of the ground leases and were accurately recording and paying the \$0.06 per gallon flowage fee per Ordinance 08-203 and Ordinance 09-37 in 2008 and 2009. We also attempted to verify the amount of Aviation Fuel Tax Reimbursement (AFTR) from the Department of Aviation.

#### SCOPE

Our audit period for reviewing the ground leases was for 2008 and 2009 and our review of the fuel flowage fees covered 2008. The review included four FBOs and their agreements with the Airport. Each FBO agreement included ground rental space fees and fuel flowage fees.

#### BACKGROUND

In response to a request from the Colorado Springs Airport (Airport), the Office of the City Auditor (OCA) initiated an audit of fixed based operators, also called FBOs. The audit was conducted in three parts. The first was to review compliance of the ground rental leases and receipt of rental fees. The second part was to review the fuel flowage reporting process and fee collection from the FBOs. The third component was to review the AFTR process and determine if the Airport was receiving the correct amount of money from the Department of Aviation.

Ground Leases: For the ground lease agreements, the OCA reviewed the contracts between the Airport and the four fixed based operators (FBOs). Each FBO had a lease which included a ground rental space fee that was paid to the Airport.

Fuel Flowage: The OCA also performed an audit on the fuel flowage fees collected between the Airport and three of the FBOs. The COS Owners Association was not included in the fuel flowage audit as they did not begin selling fuel until 2009 and the audit period covered 2008. Per Ordinance 08-203 signed November 25, 2008 and Ordinance 09-37 signed March 10, 2009, the fuel flowage fee is \$0.06 per gallon. Each FBO's lease included a fuel flowage fee that was paid to the Airport.

There were two independent fuel centers on the Airport property that did not operate as a standard FBO. During the review period one was a storage facility and was not operating as a dispensary of fuel. The Police Department fuel tank was not operational at the time of the audit and the helicopters were being sold due to City budget cuts. Accordingly, these independent fuel centers were not included in our review.

Aviation Fuel Tax Reimbursement (AFTR): In attempting to confirm the amount of funding the Airport received through the AFTR from the Department of Aviation, we reviewed an audit report from an audit

# Fixed Based Operators Contract Compliance Report

## Office of the City Auditor

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conducted by the Colorado Office of the State Auditor regarding the AFTR distributed to Colorado airports. The State Auditor's Office reviewed the fuel tax reimbursement fund and the formula for reimbursement to the airports. The report was published in 2009 and covered the period from May 2004 to December 2007. During their review, the auditors found a problem with the fund balance; however it appeared to be isolated to Denver International Airport. The auditors found no errors with the reimbursement formula. Based on the work conducted by the State Auditor's Office, and the unavailability of this data to the OCA, we could only provide limited assurance that the Colorado Springs Airport has received the correct amount of AFTR.

### CONCLUSION

We concluded that the FBO ground leases, invoices and payments had been paid in a timely manner for 2008 and 2009. We determined that the fuel flowage amounts had been tracked, calculated and paid in a timely manner for 2008. Based on the work conducted by the State Auditor's Office, and the unavailability of this data to the OCA, we can only express limited assurance that the Colorado Springs Airport has received the correct amount of AFTR.

# CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

## COLORADO SPRINGS, COLORADO

### **About our Office**

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities and Memorial Health System. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

### **Authorization and Organizational Placement**

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council.

### **Audit Standards**

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. The audit included interviews with appropriate personnel and included such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.