

**Evaluation of Kentucky's
General Aviation Aircraft
September 2008 - PERFORMANCE AUDIT**

The Auditor Of Public Accounts Ensures That Public Resources Are Protected, Accurately Valued, Properly Accounted For, And Effectively Employed To Raise The Quality Of Life Of Kentuckians.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

September 10, 2008

Joe Prather, Secretary
Transportation Cabinet
Office of the Secretary
200 Mero Street
Frankfort, Kentucky 40622

RE: Performance Audit of Kentucky's General Aviation Aircraft

Dear Secretary Prather,

The enclosed report, *Evaluation of Kentucky's General Aviation Aircraft*, offers specific recommendations to improve the management and organization of Kentucky's aircraft. In this report, we reviewed the fees charged for the use of state aircraft, the use of statutorily required flight documents, the use of charter flights in state government, and the composition and organization of state-owned aircraft. We will be distributing this report in accordance with the mandates of Kentucky Revised Statute 43.090. Additionally, we also distribute the report to members of the General Assembly committees with oversight authority, as well as other interested parties.

In accordance with Kentucky Revised Statute 43.090(1), the Transportation Cabinet must notify the Legislative Research Commission and the Auditor of Public Accounts of the audit recommendations it has implemented and of the recommendations it has not implemented, and reasons therefore, within sixty (60) days of the completion of the final audit.

Our Performance and Examination Audits Branch evaluates the effectiveness and efficiency of government programs as well as risk assessments and benchmarking of state operations. We will be glad to discuss with you at any time this audit or the services offered by our office. If you have any questions, please contact Brian Lykins, Executive Director of the Office of Technology and Special Audits, or me.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Crit Luallen".

Crit Luallen
Auditor of Public Accounts





Kentucky's General Aviation Aircraft

Audit Objective

This performance audit was conducted with the objective to evaluate the Capital City Airport Division's (CCAD) administration of state-owned aircraft used for general aviation purposes. This audit focused on the aircraft operated and maintained by CCAD.

Background

The Commonwealth of Kentucky owns an air fleet consisting of 16 different aircraft. CCAD owns six of the state's 16 aircraft, including one helicopter and five fixed-wing aircraft. Ten other aircraft are owned by three other state agencies: the Justice Cabinet, Department for Natural Resources, and Department of Agriculture.

CCAD is the agency statutorily authorized to operate and maintain state aircraft and to provide general air charter services to state agencies. The other three agencies own and operate aircraft for agency-specific missions such as drug enforcement, aerial photography and surveys, or applying agricultural chemicals.

CCAD performs the maintenance on all 16 state aircraft, including those owned by other state agencies. CCAD operates the helicopter owned by Natural Resources for general aviation purposes when it is not being used for an agency-specific mission. CCAD also operates two helicopters owned by the Justice Cabinet in support of Kentucky State Police (KSP) drug enforcement missions.

CCAD is statutorily required to establish fees for the use of state aircraft. Additionally, CCAD is required to collect the costs of operating state aircraft and air charters from the state agencies and officers that use this service.

In addition to operating state aircraft, CCAD operates the Capital City Airport, which is a state-owned public use airport located in Frankfort. The airport offers 41 hangars, 17 tie-down spots, and sells aviation fuel. The airport is completely self-sustaining based on the fees charged to airport users and requires no state general funds.

Funds generated from the Capital City Airport operations are used to support the costs of operating the general use aircraft to lower the rates for state agencies using this service. CCAD received and spent \$865,700 in general funds during fiscal year (FY) 2007 while generating an additional \$1,777,530 in agency revenue.

CCAD is organized under the Department of Aviation within the Transportation Cabinet. It currently employs at least 19 staff that includes: an Acting Director, four pilots, five mechanics, five flight linemen, an airport manager, and other supporting positions.

Findings and Recommendations

Finding 1: Administrative regulations were not developed as required by KRS 36.410(2) to establish usage rates for flights on state aircraft.

A statute enacted in 1998 requires that administrative regulations be promulgated to establish usage rates for flights on state aircraft. These regulations have not been developed, leaving only an informal process for setting aircraft usage rates. This process does not capture all costs and nothing is in place to prevent a random and unsupported change in fee calculations in the future.

Recommendation: A formal policy establishing fees for the usage of state aircraft should be developed. The policies should, at a minimum, list the factors considered in calculating rates for use of state aircraft. This policy should be the basis of an administrative regulation once the General

Assembly ratifies the reorganization Executive Order. Furthermore, attempts should be made to obtain General Assembly approval of legislation codifying the existence of CCAD as part of the Transportation Cabinet's Department of Aviation.

Finding 2: The purpose of flights on state aircraft cannot be determined when statutorily required flight request forms are not submitted.

KRS 36.420(4) requires that all requests for flights on state aircraft be submitted to CCAD on a form including information such as the official agency approval signature, the purpose and destination of the trip, all passengers' names, and any personal usage by the Governor or Lt. Governor. In a review of 39 flights taken during FY 2007, 15 were not supported by the required written request forms. Thus the purpose of the flight was not available for 38 percent of the reviewed flights. Furthermore, according to CCAD staff, there is an informal policy that the Governor's Office is not required to submit a flight request form, though the statutes do not exempt the Governor's office from this requirement.

Recommendation: CCAD should take steps to ensure all agencies, including the Governor's Office, comply with the statutory requirement to submit flight request forms within five days of a flight. While the Governor and Lt. Governor should maintain the originals per statute, CCAD should retain copies to support the purpose of the flight.

Finding 3: The written form developed by CCAD for collecting flight request information from agencies does not include the minimum information required by statute.

Of the information required by KRS 36.420(4), the form being used by CCAD does not have a section for an agency to include its billing account number or any percentage of personal business by the Governor or Lt. Governor associated with the use of a state aircraft. In addition, the form does not request the date of the approving official's signature, making it impossible to determine whether all verbal flight requests are followed-up with a written request form within five working days.

Recommendation: CCAD should follow the requirements of KRS 36.420(4) and add to the written flight request forms: a billing account field and space to identify any personal use of a state

aircraft by the Governor and Lt. Governor. The date of the approving official signature should also be added to the request form to support that forms are received within the five-day period. CCAD should consider reviewing flight request forms from other states, such as Virginia, and integrate aspects of those forms that would enhance the collection of passenger and flight information.

Finding 4: Kentucky's broad allowances for passengers may result in non-essential persons flying on state aircraft.

The provisions of KRS 36.415 make it possible for nearly anyone to travel on state aircraft at the expense of state agencies as long as the passengers have been approved by an agency official. According to this provision, any person "having an interest in the official purpose of the trip may be authorized to use state aircraft." Based on this statement, an agency head can simply claim that a particular passenger has some "interest" in state business, arguably something that would qualify any taxpayer to use state aircraft. This gives agency heads the authority to allow family and friends as passengers on state aircraft, possibly resulting in greater cost to the state.

Recommendation: We recommend that the broad allowances for state aircraft travel provided in KRS 36.415 be amended to better protect state resources and provide stronger management controls.

Finding 5: CCAD does not verify the identification of passengers on a state aircraft.

CCAD does not request or check the identification of passengers on state aircraft and instead relies on the agencies that organize and pay for the flights to assure that passengers' identities are accurate. Not verifying the identity of passengers could be considered irresponsible by the public due to the scrutiny of passengers on commercial airlines.

Recommendation: We recommend that CCAD develop an official process to verify the identification of passengers boarding state aircraft.

Finding 6: CCAD has not billed agencies for flights in a timely manner.

A review of 39 flights taken during FY 2007 showed that 5 of those flights totaling \$13,368 had not been billed to the agencies. This is likely due to the quarterly billing process employed by CCAD that allowed for some flights to be overlooked or forgotten. Since these 5 flights were found in a

review of 39, the potential for more unbilled flights certainly exists within the total of 397 flights taken during FY 2007.

Recommendation: We recommend that CCAD establish a billing procedure based on each flight taken by an agency. For those agencies that use state aircraft regularly, billings could be consolidated on a monthly basis, but each flight should be noted as a separate line item. In addition, CCAD should continue to require a secondary review of all billings by an alternate staff member to ensure bills are complete and distributed in a timely manner.

Finding 7: CCAD is not able to control scheduling and use of air charter flights, as required by law.

Kentucky's procurement system does not restrict agencies from making payments for private air charter services, which keeps CCAD from controlling the scheduling and use of that service despite a statutory requirement otherwise. Requiring agencies to contact CCAD prior to scheduling air charters would allow CCAD to determine if the needs of the agency could be met with state-owned aircraft, or if a private charter company should be used. This information will also help to make planning decisions related to the size and composition of the state aircraft fleet.

Recommendation: We recommend that CCAD and the Finance and Administration Cabinet cooperate to ensure other agencies are not able to purchase charter flight services without contacting CCAD. This will include making changes to the cited authority for the non-state-owned aircraft charter flight expenditure code. In addition, all agencies will need to be informed of the changes and why they must go through CCAD for charter flight services. This notification should also inform agencies that they are not to use a general travel expenditure code to purchase charter flight services in lieu of using the newly restricted code.

Finding 8: It is unknown how much "downtime" is incurred by Kentucky's state employee pilots.

State employee pilots employed by CCAD and the Department of Aviation only fly approximately 17.6 percent of their regular work hours. In FY 2007, CCAD's five pilots recorded 1,713 flight hours, yet worked 37.5 hours per week for a total of 9,750 hours for the year. According to CCAD, the rest of the pilots' time should be spent on

flight-related tasks or office duties as needed. It is unknown how much of the remaining 8,037 hours are associated with flight-related duties.

Recommendation: We recommend that CCAD track all pilot work hours to account for the amount of time specifically required for the flight functions of state aircraft. Based on the results of these findings, CCAD should determine whether a reduction in pilots is warranted and whether private contractors could be used to supplement a smaller state employee pilot pool.

Finding 9: Kentucky has the oldest general aviation aircraft fleet when compared to surrounding states.

When comparing Kentucky's general aviation aircraft fleet (as opposed to mission-specific fleets, like that of KSP) to those of the seven contiguous states, Kentucky has the oldest fleet. The average age of Kentucky's general aviation aircraft, which includes the six aircraft owned by CCAD and the Natural Resources aircraft frequently employed for general aviation purposes, is 34.5 years. Two Kentucky aircraft are more than 40 years old and most of the other aircraft are 1970s models. The age of the air fleets in surrounding states varies from 28.1 years to 7.6 years.

Recommendation: The Transportation Cabinet should conduct a review of the overall aviation needs of state agencies to determine whether the Commonwealth should replace the current aircraft fleet. The review should include a cost-benefit analysis of replacing the current aircraft with an equal or lesser number of newer aircraft, and an evaluation as to whether the state's general aviation needs could be met by private charter services. This review should also include a survey of state agencies regarding aviation needs and preferences. A strategic plan should then be developed based on the conclusions of this review. If it is concluded that newer aircraft are needed, the strategic plan should indicate the aircraft types suggested for purchase, the associated cost, how the purchases will be funded, and a suggested time frame for purchases. Transportation Cabinet policies should be updated to ensure the review and strategic plan recommended above are conducted on a routine basis.

Finding 10: Kentucky has not fully centralized its state aircraft fleet.

Kentucky's aviation resources are dispersed in a manner that may result in overlapping aviation services among agencies, duplicative personnel, excessive pilot downtime, and redundant aircraft. Four separate state agencies own state aircraft, though CCAD and KSP are the only agencies given statutory authority to operate an air fleet. In Indiana, a commission concluded that the state's air fleet could be consolidated, resulting in one agency controlling the aircraft instead of the previous three and reducing the number of aircraft from 20 to 12.

Recommendation: The Governor's Office, as the highest executive office, should determine the optimal administrative organization of aviation services that will reduce redundancy or duplication of staff, aircraft, and other resources. This determination will require information and analysis from the Transportation Cabinet and the other state agencies that own aircraft. The Transportation Cabinet review and strategic plan recommended in Finding #9 will be needed to provide the Governor's Office with valuable information to make a determination as to the optimal organization and size of the state aircraft fleet.

Introduction

Background

The Commonwealth of Kentucky air fleet currently consists of 16 different aircraft. The following four agencies own and/or operate these aircraft:

- Capital City Airport Division (CCAD)
- Justice Cabinet
- Department for Natural Resources (Natural Resources)
- Department of Agriculture (Agriculture)

CCAD is the agency statutorily authorized to operate and maintain state aircraft and to provide general air charter services to state agencies. CCAD currently owns six aircraft, which are offered to other state agencies for cost effective air travel or aerial needs. The Justice Cabinet, Natural Resources, and Agriculture own and/or operate aircraft for agency-specific missions such as drug enforcement, aerial photography and surveys, or applying agricultural chemicals.

CCAD also operates the Capital City Airport, which is a public use airport located in Frankfort and owned by the state. The airport has 41 hangars, 17 tie-down spots, and sells aviation fuel. State employees are also available to provide a variety of flight line services. The airport is self-sustaining from the fees charged to airport users and requires no state funds.

CCAD is currently situated within the Department of Aviation under the Transportation Cabinet (Transportation). In addition to the Director's Office, CCAD has three branches: Flight Operations, Aircraft Maintenance, and Airport Operations. Currently, 19 staff are employed at CCAD, including the Assistant Director (serving as Acting Director), an Internal Policy Analyst, four pilots, a maintenance supervisor, four aircraft mechanics, an administrative specialist, five flight linemen, an airport operations supervisor, and an airport manager.

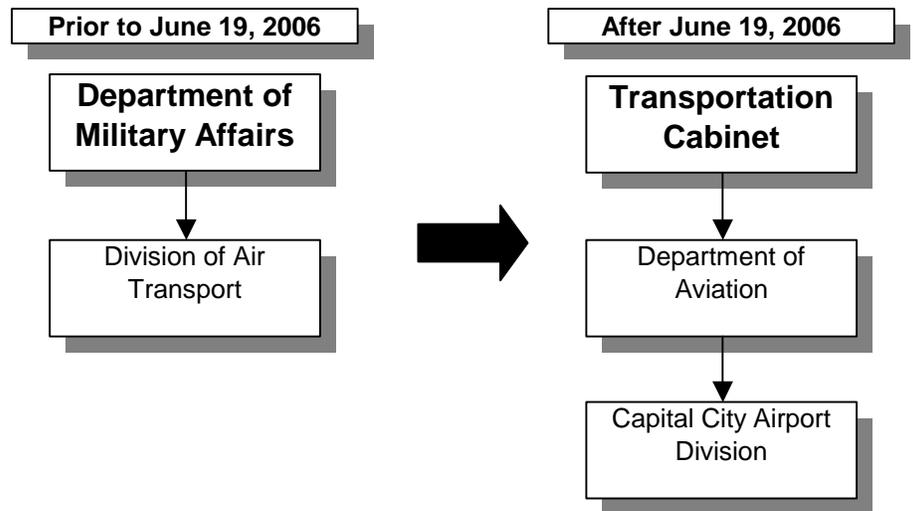
CCAD Administrative and Organizational Structure

CCAD is not referenced in the Kentucky Revised Statutes. KRS Chapter 36 contains the statutes relevant to the operation of state aircraft, which pertains to the Department of Military Affairs. This chapter establishes the Division of Air Transport as the agency responsible for the management and operation of the Capital City Airport and the control and operational use of all state aircraft, including air charters.

The Division of Air Transport was within the Department of Military Affairs but was abolished in 2006. Executive Orders 2006-681 and 2006-682 abolished the Division of Air Transport and established the CCAD on June 19, 2006, and subsequent Executive Orders reaffirm these changes. The Executive Orders also moved the Commonwealth's aviation services function from Department of Military Affairs to the Department of Aviation in the Transportation Cabinet (Transportation). The following chart illustrates the organizational change.

Chapter 1
Introduction

**Organizational Structure Resulting From
Executive Orders 2006-681 and 2006-682**



Department of Aviation officials said the purpose of the reorganization was to place all the Commonwealth’s aviation activities “under one roof.” The Department of Aviation is responsible for providing assistance for capital improvement projects at publicly owned public use airports, performing annual certification of airports and heliports, and recruiting aviation-related businesses to the Commonwealth. Besides CCAD, the Department of Aviation consists of the Greater Commonwealth Aviation Division.

Senate Bill 59 was introduced in the 2007 session of the General Assembly to codify this reorganization, but the bill was amended and passed as the “Boni Bill” with the reorganization provision deleted. Executive Orders issued in both 2007 and 2008 continued this reorganization. No legislation to codify the reorganization was introduced in the 2008 session of the General Assembly.

**Operation and Use of State
Aircraft**

Although KRS Chapter 36 is outdated regarding the current organizational structure, it contains the key statutes related to the state’s aviation services. Currently, no regulations exist to govern state aviation services or CCAD. A summary of these statutes follows and Appendix II provides the complete statutes.

KRS 36.400 defines “state aircraft” under the authority of KRS Chapter 36. All KSP aircraft are excluded from this definition. It also defines using state aircraft for “official business” as including those flights reasonably required for a public official’s job responsibilities. It specifically notes nonpartisan ceremonial functions by state officials and nonpolitical flights by the Governor as being considered official business.

Introduction

- **KRS 36.410** outlines the aviation agency’s functions to include the management and operation of Capital City Airport; oversight of maintenance and care of state aircraft; controlling the scheduling and operation of all state aircraft, including air charters; and the collection of fees from agencies using state aircraft. The statute also requires promulgation of regulations to establish fees for the usage of state aircraft as well as the services and facilities of the Capital City Airport.
- **KRS 36.415** clarifies that state aircraft are not to be used for personal business, except for the Governor, Lt. Governor, and their immediate families. General guidelines are provided for the reimbursement of the costs of personal business flights. This statute also provides a broad listing of individuals who may fly on state aircraft for official business with the approval of an “agency head.”
- **KRS 36.420** specifies the officials that can approve the use of state aircraft. This statute gives the approving official, not CCAD staff, the responsibility for determining that a trip is for official business and state aircraft is the most appropriate method of transportation. The statute also states that verbal requests to use state aircraft may be honored, but a written request containing specific information must be provided within five working days of the flight.
- **KRS 36.425** requires thorough record-keeping by airport staff, including flight cards, passenger manifests, payment documents, and inter-account bills pertaining to each flight. Pilots must maintain a flight manifest for all flights containing passenger names, information pertaining to flight origin and destination, and side trips or stopovers.

Aircraft Fleet Composition

CCAD owns six of the state’s 16 aircraft, including one helicopter and five fixed-wing aircraft. Ten other aircraft are owned by three other state agencies. The following table lists the aircraft owned by each of the four state agencies and includes the model, type, model year/year acquired by the Commonwealth, and total flight hours accumulated by each aircraft as of March 18, 2008.

Chapter 1
Introduction

Table 1: Kentucky’s Aircraft Fleet

Model	Type	Model Year/ Year Acquired	Flight Hours
Capital City Airport Division			
Bell Jet Ranger 206B	Helicopter	1975/1975 (New)	14,943
Cessna 182Q (Skylane)	Fixed Wing	1979/1992	7,986
Piper PA31-350 (Navajo)	Fixed Wing	1978/2006	4,858
Piper PA31-350 (Navajo)	Fixed Wing	1975/1997	6,337
Cessna R172E (Skyhawk)	Fixed Wing	1967/1974	6,585
Cessna R172E (Skyhawk)	Fixed Wing	1967/1998	5,690
Department for Natural Resources			
Bell Long Ranger 206L-3	Helicopter	1984/1988	10,004
Justice and Public Safety Cabinet/Kentucky State Police			
Beechcraft King Air A-100	Fixed Wing	1972/1996	9,848
Bell Long Ranger 206L-3	Helicopter	1983/1987	9,569
Hughes 369 (OH-6)	Helicopter	1968/1993	4,517
Hughes 369 (OH-6)	Helicopter	1968/1993	6,673
Cessna 182R (Skylane)	Fixed Wing	1978/1991	3,101
Bell UH-1H (Huey)	Helicopter	1970/1999	5,258
Bell OH-58C (Kiowa)*	Helicopter	1971/1999	6,181
Bell OH-58A (Kiowa)*	Helicopter	1972/1999	5,616
Department of Agriculture			
Ayers Thrush Spray Plane	Fixed Wing	1990/1990 (New)	1,370

Source: Auditor of Public Accounts based on information provided by the Capital City Airport Division.

*Owned by the Justice Cabinet but operated and maintained by CCAD.

The majority of these aircraft are based at Capital City Airport for most of the year. Agriculture’s spray plane is located at various locations throughout the Commonwealth depending on where it is needed. Under a Memorandum of Understanding (MOU), CCAD operates Natural Resources’ helicopter for agency specific missions, as well as the general flight needs of other agencies. The rates charged to other agencies for the use of the Natural Resources aircraft are determined by CCAD. KSP conducts law enforcement missions and general aviation flights with its aircraft and does not report to CCAD whenever it initiates a flight, although CCAD does operate two Justice Cabinet aircraft used on KSP drug enforcement flights. All of the maintenance for the state’s 16 aircraft is coordinated through CCAD’s maintenance section.

Introduction

CCAD Revenue and Expenditures

As the operator of the Capital City Airport, CCAD is partially self-sustaining. The Capital City Airport is completely self-funded, including airport employee salaries, due to the revenue collected from its users. It receives revenue from the collection of fees for a variety of goods and services offered to the public and other state agencies using the airport facilities. This may include the purchase of fuel, rental of hangar space, or purchase of a myriad of other services available.

Any additional revenue collected by the airport helps to defray the cost of CCAD operations. In addition, CCAD charges other state agencies for flights on state aircraft. Fees for these flights and the sale of aviation fuel to private pilots provide the largest portion of revenue. Table 2 lists the revenue sources and amounts collected by CCAD during fiscal year (FY) 2007.

Table 2: FY 2007 Revenue Collected by CCAD

Revenue Source	Amount
General Fees From Other State Agencies	\$ 597,644
General Sales to Public	532,468
Maintenance Recovery Charged to Other State Agencies	177,051
Rental of Buildings to Other State Agencies	116,524
General Services to Other State Agencies	102,267
Rental of Buildings to Public	101,343
Proceeds From Asset Disposition	70,920
General Sales to Other State Agencies	60,363
Other Receipts	12,963
General Rentals to Public	5,780
Redeposit-Unredeemed Treasury Checks	89
General Services to Public	83
Vendor Offset Receipts	35
Total	\$1,777,530

Source: Capital City Airport Division based on reports from Kentucky's eMARS accounting system.

CCAD also receives state general funds. In FY 2007, the agency was appropriated, and expended, \$865,700. This funding was used entirely for the personnel costs of state employees that do not work directly as airport employees, such as state aircraft pilots and mechanics.

Agency Flights on State Aircraft – FY 2007 and FY 2008

CCAD flew over 1,700 hours in FY 2007 and 1,400 hours in FY 2008 providing general aviation services to other state agencies. In addition, KSP provides general aviation services for the Governor and other state agencies. The following tables contain the flight hours and charges per agency provided by CCAD and KSP.

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Introduction

Table 3: CCAD FY 2007 and FY 2008 Flight Hours and Charges by Agency

Agency	Flight Hours		Total Bill	
	FY 2007	FY 2008	FY 2007	FY 2008
Agriculture	11.9	4.9	\$5,128	\$2,464
Administrative Office of the Courts	-	2.2	-	\$880
Department of Corrections	-	6.7	-	\$2,868
Council on Postsecondary Education	-	5	-	\$2,938
Cabinet for Economic Development	26.4	46.5	\$12,764	\$27,660
Department of Education	10.7	11.1	\$4,327	\$4,554
Environmental and Public Protection Cabinet	53.6	38.9	\$23,298	\$19,928
Office of Surface Mining	236.6	199.6	\$128,115	\$108,484
KY Fair and Exposition Center	21.6	23.9	\$11,021	\$12,221
Finance and Administration Cabinet	15.4	3.1	\$7,223	\$1,760
Department of Fish and Wildlife Resources	199.1	162.21	\$46,638	\$41,312
Division of Forestry	11.2	-	\$1,177	-
Governor's Office	58.3	129.9	\$29,551	\$100,982
Cabinet for Health and Family Services	20.9	34.8	\$10,280	\$16,148
Department of Highways	-	9.5	-	\$4,538
Justice Cabinet	22.8	12.1	\$11,009	\$7,605
KSP	646.2	553.6	\$325,549	\$275,055
KY Vehicle Enforcement (KVE)	18.75	13.44	\$1,378	\$1,441
Kentucky Community and Technical College System	27.3	22.1	\$13,418	\$12,044
KY Educational Television	5.6	-	\$3,053	-
Transportation Cabinet	23.5	27.7	\$10,719	\$13,159
CCAD	110.33	37.6	\$29,915	\$12,952
Department of Aviation	164.1	60.6	\$33,426	\$15,485
Department of Military Affairs	10.2	-	\$2,366	-
Office of Homeland Security	9.5	4.2	\$3,605	\$1,019
Office of State Budget Director	2.2	-	\$880	-
Division of Water	-	6.6	-	\$3,210
Western KY University	6.7	-	\$3,417	-
Total	1,712.88	1,416.25*	\$718,257	\$688,707

Source: Auditor of Public Accounts based on information provided by the Capital City Airport Division.

* 73.8 flight hours flown by KSP pilots.

Chapter 1
Introduction

Table 4: KSP FY 2007 and FY 2008 Flight Hours and Charges by Agency

Agency	Flight Hours		Total Bill	
	FY 2007	FY 2008	FY 2007	FY 2008
KSP-internal	278.5	220.5	-	-
KSP-marijuana	580.3	703.3	\$252,183	\$318,188
Governor's Office	237.7	88.9	\$191,284	\$65,913
Economic Development	6.7	11.9	\$6,198	\$8,768
Commerce Cabinet	1.6	-	\$1,480	-
Homeland Security	2.3	-	\$2,128	-
Transportation Cabinet	1.5	-	\$1,388	-
Personnel Cabinet	-	1.8	-	\$1,665
Total	1108.6	1026.4	\$454,661	\$394,534

Source: Data provided by Kentucky State Police.

Findings and Recommendations

Finding #1:
Administrative regulations were not developed as required by KRS 36.410(2) to establish usage rates for flights on state aircraft.

KRS 36.410(2) states that “the division shall promulgate administrative regulations under KRS Chapter 13A to...establish fees for the usage of state aircraft.” This statute was enacted in 1998, but no regulations have been developed or adopted.

No formal process exists for developing usage rates. The Commissioner of the Department of Aviation and the CCAD Director currently determine the hourly rates charged for flights based on actual aircraft operational costs, including fuel and maintenance costs, as well as insurance. Because the costs to operate aircraft can fluctuate, CCAD also attempts to review the industry average cost to operate comparable aircraft. For example, the cost for an engine replacement would cause the rate to spike drastically if it was based solely on operational costs. The rates developed for state aircraft are reviewed each year, but not necessarily changed each year.

CCAD does not include personnel costs in the rates assessed for agencies’ use of aircraft or the estimated costs to operate. Personnel costs for the operation and maintenance of state aircraft are considered funded by the state general fund.

The rates charged by private charter companies are also taken into account. According to CCAD staff, efforts have been made to keep rates low, and they noted that current rates are below market value. This appears to be due in large part to CCAD not including all costs in calculating their usage rates. Table 5 contains the CCAD cost estimates for state aircraft flown during FY 2007 compared to the rates being charged to agencies.

Table 5: Cost to Operate State Aircraft and Rates Charged to Agencies

Aircraft	CCAD Estimated Cost	FY 2007 Rate	FY 2008 Rate
Bell 206B Helicopter	494.53/hr	\$400/hr	\$475/hr
Piper Navajo	778.38/hr	\$400/hr	\$500/hr
Piper Navajo	698.77/hr	\$400/hr	\$500/hr
Cessna 172	376.14/hr	\$85/hr	\$150/hr
Cessna 172	376.14/hr	\$85/hr	\$150/hr
Cessna 182Q	310.79/hr	\$85/hr	\$150/hr
Bell OH-58 Helicopter*	350.31/hr	\$500/hr	\$500/hr
Bell OH-58 Helicopter*	329.02/hr	\$500/hr	\$500/hr
Bell Long Ranger L-3 Helicopter**	595.14/hr	\$525/hr	\$525

Source: Auditor of Public Accounts based on information provided by CCAD.

* Notes aircraft owned by the Justice Cabinet, but operated by CCAD pilots for KSP flights.

** Notes aircraft owned by Natural Resources, but operated by CCAD pilots.

Findings and Recommendations

One concern provided by CCAD staff on promulgating a regulation on usage rates is that it could be too restrictive. If legislative approval were needed to amend a regulation every time fuel prices or other costs increase, the process would be burdensome.

CCAD staff was also concerned that they did not have the authority to adopt a regulation based on KRS 36.410. As previously mentioned in the Introduction, KRS Chapter 36 refers to the “Division of Air Transport” rather than the Capital City Airport Division. The 2006 executive order reorganizing the Division of Air Transport to what is now CCAD has not yet been approved by the General Assembly and codified accordingly.

Due to the fact that CCAD attempts compliance with other statutory guidelines found in KRS 36.400 - 36.425, CCAD should accommodate the requirement to formalize rates for state aircraft use. Until the CCAD reorganization has been ratified by the General Assembly, CCAD should establish written policies to specify the criteria used in developing usage rates for state aircraft. The informal process used to determine the usage rate for state aircraft demonstrates the need for a documented process, as required by KRS 36.410. The current methods for calculating aircraft usage fees do not capture all costs and nothing is in place to prevent a random and unsupported change in fee calculations in the future.

Recommendation

A formal policy establishing fees for the usage of state aircraft should be developed. The policies should, at a minimum, list the factors considered in calculating rates for use of state aircraft. This policy should be the basis of an administrative regulation once the General Assembly ratifies the reorganization Executive Order. Furthermore, attempts should be made to obtain General Assembly approval of legislation codifying the existence of CCAD as part of the Transportation Cabinet’s Department of Aviation.

Finding 2: The purpose of flights on state aircraft cannot be determined when statutorily required flight request forms are not submitted.

A review of CCAD records documented that five different agencies were not submitting the statutorily required request forms that provide pertinent information concerning state aircraft usage. KRS 36.420(4) requires that all requests for flights on state aircraft be submitted to CCAD on a written form including information such as the official agency approval signature, the purpose and destination of the trip, all passengers’ names, and any personal usage by the Governor or Lt. Governor. In a sample review of 39 flights taken during FY 2007, 15 were not supported by the required written request forms. Thus, the purpose of the flight was not available for 38 percent of the reviewed flights. Furthermore, according to CCAD staff, there is an informal policy that the Governor’s Office is not required to submit a flight request form, though the statutes do not exempt the Governor’s office from this requirement.

Findings and Recommendations

Table 6 lists those agencies that did not submit the required request forms, which resulted in no information being available on the purpose of the flights taken by state personnel and other passengers.

Table 6: Missing Flight Request Forms/Purpose of Trip

Agency	Missing Form/Purpose
Governor’s Office	4
Department of Aviation	3
Transportation Cabinet	1
Environmental and Public Protection Cabinet	6
Finance and Administration Cabinet	1

Source: Auditor of Public Accounts based on a review of 39 flights on state aircraft during FY 2007.

Missing written request forms may be related to CCAD’s current preference for verbal requests. While verbal requests are allowable under KRS 36.420(2), the statute requires agencies to follow-up with a written request within five days of the flight. CCAD did not ensure that agencies consistently filed the written request forms for each flight on state aircraft.

In the past, CCAD was reluctant to ask the Governor’s Office to submit request forms as other agencies are expected to do. While KRS 36.425 does state that the Governor and Lt. Governor shall maintain the original request forms, it does not provide an exclusion for submitting the forms entirely.

When questioned about the flights without a documented purpose, CCAD personnel could typically recall why the flight was made. For several of the 15 flights noted above, a purpose for the flight was recorded in the CCAD flight database but it was not recorded on the agency’s written request form. Though the final destinations of all flights could be found on the flight cards filed by pilots, the actual purpose of the flight is not included on this form.

Except for the exception noted below, KRS 36.415 requires all flights on state or charter aircraft be solely for official business. This means state employees or other passengers deemed essential for the purpose of the trip should not use state aircraft for personal business of any kind. The only exception is that the Governor and Lt. Governor may reimburse for a flight, or a portion of it, when it involves personal travel. Under any of these conditions, a documented purpose is needed to determine compliance with this requirement. Without this information, it is not known whether a trip is for personal or official business and the public cannot be assured that state resources are being used efficiently and in compliance with the law.

Findings and Recommendations

In February 2008, the Governor's Office issued the *Governor's Guidelines for Allocating Costs Relative to State Aircraft*, which specify costs of travel for personal or political purposes should be indicated on an allocation form used by the Governor's Office. The request for use of the aircraft and allocation of costs is to be handled by the Director of Operations for the Governor's Office. The flights reviewed were prior to the implementation of this policy.

Recommendations

CCAD should take steps to ensure all agencies, including the Governor's Office, comply with the statutory requirement to submit flight request forms within five days of a flight. While the Governor and Lt. Governor should maintain the originals per statute, CCAD should retain copies to support the purpose of the flight.

Finding 3: The written form developed by CCAD for collecting flight request information from agencies does not include the minimum information required by statute.

KRS 36.420(4) requires that all requests to use state aircraft be submitted on a written form that includes specific information from the requesting agency. Of this required information, the form being used by CCAD does not have a section for an agency to include its billing account number or any percentage of personal business by the Governor or Lt. Governor associated with the use of a state aircraft. In addition, the form does not request the date of the approving officials' signature, making it impossible to determine whether all verbal flight requests are followed up with a written request form within five working days.

According to KRS 36.420(4), all requests for use of state aircraft must be submitted on a form that contains, at a minimum, the following information:

- Cabinet or agency name;
- Department name with appropriate billing account number;
- Purpose of the trip;
- Destination, including stopovers and the reasons for the stopovers;
- Names of all passengers on the flight; and,
- Identification of any percentage of the flight that is for personal business in the cases of the Governor and Lieutenant Governor, as allowed under KRS 36.415.

A review of 39 flight records found that the billing account number and the percentage of personal versus official business were not allowed for on any of the forms.

Under KRS 36.420(2), verbal requests for flights may be honored, but all requests for use of state aircraft must be provided in writing within five working days of the date of the flight. CCAD accepts and prefers verbal requests to initiate a flight. However, the request forms do not require a date to be included with an agency's approval signature, thus making it impossible to determine if the five-day submission deadline has been met.

Findings and Recommendations

In addition to the minimum statutory requirements, Kentucky may wish to collect additional information regarding the passengers or the flight. For example, Virginia's flight request form has several features that Kentucky's lacks, including information regarding:

- Requested aircraft;
- Date of flight request;
- Requested itinerary, including the points of departure and arrival dates and times, with space on the request form for eight points of departure and arrival (the Kentucky form only has "stops in order," instead of departure and arrival points, and there is no space available to record dates and times);
- Passenger names, affiliations, addresses, and methods of contact, with room for eight names (Kentucky only has the opportunity to record passenger names);
- A statement requiring a complete manifest on file before the aircraft departs any location and the itinerary will be faxed or emailed to the person initiating the request for distribution among passengers (Kentucky does not have this or any comparable statement);
- Billing agency, plus the code, if available, with address, telephone, and fax numbers; and,
- Authorized signature and title of the signer (Kentucky form just has room for signature).

The written form required under KRS 36.420 is not only a tool that allows CCAD to determine the needs of a requesting agency, but it is also the primary source to justify the use and expense of state aircraft through the signature of the approving agency official. Given the Governor's Office's new travel policy that a flight request form would be completed, it is important that there is a section to record any percentage of personal versus official business associated with the use of state aircraft.

Recommendations

CCAD should follow the requirements of KRS 36.420(4) and add to the written flight request forms a billing account field and space to identify any personal use of a state aircraft by the Governor and Lt. Governor. The date of the approving official signature should also be added to the request form to support that forms are received within the five-day period. CCAD should consider reviewing flight request forms from other states, such as Virginia, and integrate aspects of those forms that would enhance the collection of passenger and flight information.

Findings and Recommendations

Finding 4: Kentucky's broad allowances for passengers may result in non-essential persons flying on state aircraft.

The provisions of KRS 36.415 makes it possible for nearly anyone to travel on state aircraft at the expense of state agencies as long as the passengers have been approved by an agency official. Subsection (3) of this statute states:

(3) Constitutional officers, other elected state officials, members of the General Assembly, officers and employees of the cabinets, departments, and agencies of state government, officers and employees of other governmental units, and other persons traveling under the auspices of a state agency or in connection with state business deemed desirable by an agency head, including dependents of state officials, and news media representatives and other persons having an interest in the official purpose of the trip may be authorized to use state aircraft. Charges for travel in state aircraft shall be paid by the requesting state agency in accordance with the rate schedule established in administrative regulations authorized by KRS 36.410.

According to this provision, any person “having an interest in the official purpose of the trip may be authorized to use state aircraft.” Based on this statement, an agency head can simply claim that a particular passenger has some “interest” in state business, arguably something that would qualify any taxpayer to use state aircraft.

A review of records for 39 flights during FY 2007, demonstrated that there were passengers on state aircraft that, while allowable under KRS 36.415(3), could be considered questionable. On August 3, 2006, the Commissioner of Agriculture took three family members with him on a trip to Mayfield where he was a keynote speaker at a conference. In 2006, the Governor's Chief of Staff took two flights, taking one of his children on each trip. The purpose of these two trips is unknown because CCAD does not require the Governor's Office to submit request forms that would include that information.

The broad allowance under subsection (3) stated above can be used to justify nearly anyone as a passenger on a state-owned aircraft and certainly gives agency heads the ability to circumvent the requirements in earlier portions of KRS 36.415 subsections (1) and (2), which state that:

(1) Except as provided in subsection (2) of this section, state aircraft, including air charters, shall be used only for official business.

Findings and Recommendations

(2) State aircraft shall not be used for personal business, except when the Governor or Lieutenant Governor, for reasons of security, protocol, ceremonial functions, or overall demands of time, require travel considerations not accorded to other officials.

Without the provisions previously noted in subsection (3), it is unlikely that an agency could justify that a child, spouse, or friend was necessary for official state business, but by claiming these individuals are interested parties, they become viable passengers whose flight can be paid for with agency funds. Also, because statutes give approving officials the authority to determine which passengers are allowable, CCAD personnel are not able to develop guidelines for appropriate persons or deny service to an individual.

KRS 36.415 gives agency heads the authority to approve family and friends as passengers on state aircraft. This is a privilege not afforded to most state employees or the public. This practice could result in greater costs to the state if a larger aircraft is needed due to the number of passengers or a state aircraft is used when land travel would be more economical.

Recommendation

We recommend that the broad allowances for state aircraft travel provided in KRS 36.415 be amended to better protect state resources and provide stronger management controls.

Finding 5: CCAD does not verify the identification of passengers on state aircraft.

CCAD does not request or check the identification of passengers on state aircraft. Instead, it relies on the agencies that organize and pay for the flights to assure that passengers' identities are accurate. This practice relates to the broad passenger allowances made by KRS 36.415 and the requirement of KRS 36.420 that an agency's approving officials make the determination as to whether the use of state aircraft is appropriate and whether the passengers have an interest in the official purpose of the trip. According to CCAD, pilots know many of the regular travelers, which minimizes the need to check identification.

Other surrounding states have a similar policy of relying on pilots and staff to verify passengers' identities based on previous flight experiences or the assertions and signatures of the passengers themselves. One exception was West Virginia, which requires an identification check when state planes are flying into Reagan National Airport near Washington, D.C. This does not mean that Kentucky should not set a stronger and more responsible policy.

Findings and Recommendations

Not being able to verify the identity of passengers on board could become a liability in the event of an accident involving state aircraft. Currently, an agency may fill out a request form and include the names of the potential passengers, but different individuals may actually take the flight and their names would only appear on the passenger manifest that remains with the pilot onboard the aircraft. This would leave agency officials with an inaccurate accounting of passengers during the flight.

Based on the progressive scrutiny of air passengers using commercial airlines, CCAD's practice of not ensuring the identity of passengers is outdated and could be considered irresponsible by the public. In addition, it has become the accepted practice to verify the identification of individuals that visit state-owned government buildings. The same should be expected for those boarding state aircraft.

Recommendation

We recommend that CCAD develop an official process to verify the identification of passengers boarding state aircraft.

Finding 6: CCAD has not billed agencies for flights in a timely manner.

CCAD did not bill agencies \$13,368 for 5 of the 39 flights that were selected for review during this audit. One of the flights took place in September 2006, while the other flights were in May and June of 2007. After the auditors identified the unbilled flights, CCAD subsequently billed the agencies for four of the five flights in February 2008, approximately 8 to 16 months after the flights had occurred.

When providing flight services to agencies, CCAD charges an hourly rate based on the aircraft that is used, as well as crew fees. The total cost to the agency is processed through the state's accounting system to generate a billing invoice, which CCAD sends to the respective agency on a quarterly basis. This means that an agency only receives an invoice every three months, regardless of the number of flights. Due to the time that lapses from the flight and the quarterly billing process, some flights were overlooked or forgotten when charges were combined into one invoice.

CCAD receives limited general funds and operates many of its activities from fees charged to other agencies for flights, maintenance of state aircraft, hangar space, and a variety of charges to the public using services at the Capital City Airport. When any of these fees and charges are not billed, it impacts the ability of CCAD to meet its financial needs. In a review of 39 flights, the five unbilled flights totaled \$13,368. A total of 397 flights were taken during FY 2007, so the potential of lost revenue from additional flights not being billed exists.

CCAD has since conducted further reviews of their billing records and found additional flights that were not billed. CCAD reported that a new monthly billing procedure has been implemented that includes a second staff member verifying that all billing invoices are complete.

Findings and Recommendations

Recommendations

We recommend that CCAD establish a billing procedure based on each flight taken by an agency. For those agencies that use state aircraft regularly, billings could be consolidated on a monthly basis, but each flight should be noted as a separate line item. In addition, CCAD should continue to require a secondary review of all billings by an alternate staff member to ensure bills are complete and distributed in a timely manner.

Finding 7: CCAD is not able to control the scheduling and use of air charter flights, as required by law.

Currently, no restriction exists in the state’s procurement system that would stop an agency from paying for air charter services. Therefore, an agency can avoid scheduling these services through CCAD. KRS 36.410(1) places CCAD in control of scheduling private air charters and collecting payments from agencies for the use of air charters. The statute states that CCAD functions shall be to:

- (c) Control the scheduling and operational use of state aircraft, including air charters; and,
- (d) Collect from using agencies and officers the costs of operating state aircraft, including air charters.

Agencies in need of air charter services should contact CCAD to schedule any charter flights, but the state’s procurement system does not restrict an agency’s ability to pay for charter flights. Based on expenditure data for FY 2004 through FY 2007, other agencies have scheduled and paid for private air charter services. Table 7 provides a listing of agencies that made payments for air charter services during this period.

Table 7: Expenditures for Private Charter Flights by Agency and Fiscal Year

Agency	2004	2005	2006	2007
Department of Military Affairs*	\$18,336	\$44,536	\$58,162	
Natural Resources and Environmental Protection Cabinet-Office of the Secretary	\$1,025			
Finance and Administration Cabinet-Office of the Secretary	\$2,480			
Cabinet for Economic Development	\$5,974		\$1,946	
Governor’s Office	\$3,980	\$3,089		
Education Cabinet-Office of the Secretary		\$1,850		
Department of Education		\$1,850		
KSP				\$40,935
Transportation Cabinet-Office of the Secretary				\$7,201
Department of Aviation*				\$48,179
Total FY Charter Payments	\$31,795	\$51,325	\$60,108	\$96,315

Source: Auditor of Public Accounts generated using MARS and eMARS.

*Represents CCAD expenditures.

Findings and Recommendations

As seen in Table 7, the largest user of charter aircraft is CCAD in the form of Military Affairs and the Department of Aviation. If KRS 36.410(1) were enforced properly through the procurement system, CCAD would be the only agency with expenditures made for this service. Also, these expenditures may be conservative because an incorrect expenditure code could have been used for private charter flights when the agency generated the payment in the procurement system. If an incorrect expenditure code was used, payments made for charter flights cannot be identified.

If agencies were restricted from making payments for charter services through the procurement system, CCAD would have to be contacted to charter a flight. CCAD would then determine if the needs of the agency could be met with state-owned aircraft or if a private charter company should be used. If a private charter company is needed, CCAD is the only agency authorized to schedule a charter flight and make payments. Any costs for the private charter company would pass through to the agency requesting the flight.

This control would allow CCAD to ensure that state-owned aircraft are used to their fullest potential and that private charters are not used when less expensive state aircraft would fulfill the agency's need. It would also allow CCAD to gauge the aircraft needs of state agencies to better plan for the number and type of aircraft that the state should own. In addition, if there is a great need for private air charter services CCAD may be able to leverage the state's volume requirements to negotiate a better price for state agencies.

Recommendations

We recommend that CCAD and the Finance and Administration Cabinet cooperate to ensure other agencies are not able to purchase charter flight services without contacting CCAD. This will include making changes to the cited authority for the non-state-owned aircraft charter flight expenditure code. In addition, all agencies should be informed of the changes and reasons that CCAD must schedule charter flight services. This notification should also inform agencies that they are not to use a general travel expenditure code to purchase charter flight services in lieu of using the newly restricted code.

Finding 8: It is unknown how much "downtime" is incurred by Kentucky's state employee pilots.

State employee pilots employed by CCAD and the Department of Aviation only fly approximately 17.6 percent of their regular work hours. These five pilots work 37.5 hours per week for a total of 9,750 work hours per year, not including overtime hours. In FY 2007, the five pilots flew a total of 1,713 hours, or 17.6 percent of their regular work hours. It is unknown how much of the remaining 8,037 hours are associated with flight-related duties. According to CCAD, the rest of the pilots' time should be spent preparing for the flight, inspecting the aircraft, loading and unloading passengers and their baggage, filing paperwork, and performing other office duties as needed.

Findings and Recommendations

Given the low number of flight hours per total work hours, it is likely there is a large amount of “downtime” where pilots are not performing expected flight-related duties. If 50 percent of the remaining 8,037 work hours is directly related to flight duties, pilots would be working 7.6 hours for each flight, in addition to the time spent in the air. While this may occur for round trip flights that require a pilot to wait for passengers to return from state business, it would not apply to all flights nor would it account for the other 50 percent of the pilots’ work hours.

Salaries, benefits, and overtime pay for the four CCAD pilots and one Department of Aviation pilot currently totals \$430,768. An analysis performed by this office indicates that the state is paying approximately \$75,815 for in-the-air flight time and \$354,953 for the remaining hours. Assuming pilots spend 50 percent of their non-flight hours performing flight-related duties, the remaining pilot costs would be evenly divided at \$177,476 for both flight-related work and other tasks.

According to CCAD, attempts are made to ensure that pilots stay busy with various tasks and assignments when not engaged in a flying-related job duty. Pilots have also been given flexible schedules in an effort to reduce overtime when a flight must last longer than the typical workday.

In order to be flexible and responsive to the needs of state agencies, CCAD chose to employ two helicopter pilots and two fixed wing pilots. This could accommodate a situation where two separate flight missions were scheduled on a similar type aircraft at the same time. The need to address this type of occurrence is not known, but based on flight data provided by CCAD, it appears these occurrences are minimal. An alternative solution would be to reduce the state employee pilot workforce to reduce payments for “downtime,” and develop a contract or contracts with private pilots for those instances where supplemental help is needed.

Due to the budget constraints imposed on all state agencies, the use of state employees should be managed in the most efficient and effective manner possible. The need for state employee pilots should be supported to ensure that the associated costs are reasonable.

Recommendations

We recommend that CCAD track all pilot work hours to account for the amount of time specifically required for the flight functions of state aircraft. Based on the results of these findings, CCAD should determine whether a reduction in pilots is warranted and whether private contractors could be used to supplement a smaller state employee pilot pool.

Findings and Recommendations

Finding 9: Kentucky has the oldest general aviation aircraft fleet when compared to surrounding states.

When comparing Kentucky’s general aviation aircraft fleet, as opposed to mission-specific fleets such as the fleet operated by KSP, to those of the seven contiguous states, Kentucky has the oldest fleet. The average age of Kentucky’s general aviation aircraft is 34.5 years. This calculation includes the six aircraft owned by CCAD and the Natural Resources aircraft frequently employed for general aviation purposes. Two Kentucky aircraft are more than 40 years old and most of the other aircraft are 1970s’ models. The following is a list of the average ages of the general aircraft fleets of Kentucky and the seven contiguous states.

Table 8: Average Ages of General Aviation Fleet

State	Average Age of Fleet *
Kentucky	34.5 years
Ohio	28.1 years
Illinois	23.5 years
Indiana	23.3 years
Missouri	22.9 years
Tennessee	15.5 years
Virginia	10.9 years
West Virginia	7.6 years

Source: Auditor of Public Accounts based on a survey of other states.

* As of July 2008

While there was no consensus among Kentucky’s neighboring states, some states provided information on their criteria and concerns related to the age of aircraft. Indiana reported that its goal to replace aircraft was 10,000 flight hours, at which point the value of the aircraft declines and an attempt is made to sell the aircraft. According to Indiana officials, in addition to the reduced market value of the aircraft, higher maintenance costs are a factor in determining aircraft replacement. Many parts related to the engine must be replaced around this point, and engine overhauls can be expensive. Aircraft aged 30 to 40 years can show signs of fatigue. Untreated cracking of structural components can also be a factor in determining aircraft replacement.

The Ohio Department of Transportation, which manages the general aviation fleet for state government, considers the number of flight cycles, (takeoffs and landings), though flight cycles are not a trigger for replacement. In addition, Ohio’s highway patrol agency attempts to use 20 years or 10,000 flight hours as standards.

Findings and Recommendations

Virginia looks at the “useful life” of the aircraft, which in its estimation is generally about 20 years. Virginia’s Department of Aviation contracted with an aviation consulting firm to study aircraft costs and project those costs over the following 10 to 20 years. The study included a survey of the agencies that were customers of the Virginia Department of Aviation regarding needs and preferences. The study, finalized in February 2006, was included as part of Virginia’s aircraft replacement plan. In Kentucky, little consideration has been given to a commission or consultant to evaluate aviation services issues and the cost of such a review is cited as the main barrier.

CCAD staff report that they look at flight hours in gauging the need for aircraft replacement, but also consider the age of the aircraft as a bigger issue. CCAD and the Department of Aviation consider Kentucky’s aircraft fleet to be too old and in need of an update. For example, CCAD has two 1967-model aircraft that have not reached 10,000 flight hours, but are still more than 40 years old. They would like to lower the average age of the fleet from 34.5 years to 20 years.

According to CCAD, older aircraft are less efficient because trips take longer and aircraft with better navigational equipment can help deal with issues that arise during flights. With the aircraft currently owned by CCAD, extended out-of-state travel is limited. Moreover, only two CCAD aircraft are certified for flight into light and moderate icing conditions.

CCAD is confident its aircraft are safe, but due to age they require significant repair and maintenance to achieve an acceptable level of reliability. This requires the state to keep redundant aircraft in case one goes out of service. According to CCAD, Kentucky spends a good deal of money on older aircraft due to maintenance issues and “down time.”

An examination of the maintenance records for CCAD aircraft document that maintenance costs have not increased gradually over time, but have spiked at various points in time when especially expensive maintenance needs arise. For example, the 1975 model Bell Jet Ranger helicopter maintenance costs decreased each year between FY 2005 and FY 2007, declining from approximately \$150,000 to \$75,000. The maintenance costs for the Beechcraft King Air A-100 increased from approximately \$50,000 in FY 2005 to more than \$125,000 in FY 2006 before declining back to about \$50,000 in FY 2007.

By reducing maintenance associated with older aircraft, the Commonwealth’s aviation needs could be met with a smaller and newer aircraft fleet. In recent budget cycles, CCAD has requested extra funding for the acquisition of new aircraft, but the agency has not received any additional funds for that purpose. The 2008 - 2014 Transportation Cabinet

Findings and Recommendations

Capital Plan recommends the purchase of a Bell twin-engine helicopter, a fixed wing aircraft, and a Bell single-engine helicopter.

Recommendations

The Transportation Cabinet should conduct a review of the overall aviation needs of state agencies to determine whether the Commonwealth should replace any of the current aircraft fleet. The review should include a cost-benefit analysis of whether current aircraft should be replaced with an equal or lesser number of newer aircraft, and an evaluation as to whether the state’s general aviation needs could be met by private charter services. This review should also include a survey of state agencies regarding aviation needs and preferences. A strategic plan should then be developed based on the conclusions of this review. If it is concluded that newer aircraft are needed, the strategic plan should indicate the aircraft types suggested for purchase, the associated cost, how the purchases will be funded, and a suggested time frame for purchases. Transportation Cabinet policies should be updated to ensure the review and strategic plan recommended above are conducted on a routine basis.

Finding 10: Kentucky has not fully centralized its state aircraft fleet.

The decentralized ownership and control of Kentucky’s aviation resources results in overlapping aviation services among agencies, duplicative administrative personnel, excessive pilot downtime, and redundant aircraft. Four separate state agencies own state aircraft: the Transportation Cabinet, Department for Natural Resources, Justice Cabinet, and Department of Agriculture; however, CCAD and the KSP are the only agencies given statutory authority to operate an air fleet. All these agencies except for Natural Resources provide their own pilots. In total, the state owns 16 aircraft and employs 10 pilots, contracts with one, and uses an hourly pilot as needed. The following table illustrates the number of aircraft and pilots in each agency.

Table 9: Aircraft Owned and Pilots Employed by State Agencies

Agency	Aircraft Owned	Number of Pilots	Aircraft Flown by Agency Pilots
Transportation Cabinet (CCAD and Dept. of Aviation)	6	5 CCAD (4 fulltime & 1 hourly) 1 DOA	9**
Justice Cabinet (KSP and KVE)	8	4 KSP 1 KVE	6***
Department for Natural Resources	1	0	0
Department of Agriculture	1	1*	1
Totals	16	12	16

Source: Information provided by Capital City Airport Division.

*Seasonal contract employee.

**CCAD pilots fly the Natural Resources helicopter and two Justice Cabinet helicopters.

***All flown by KSP, KVE pilot flew CCAD aircraft under contract agreement.

Findings and Recommendations

CCAD has the statutory mandate to be responsible for the maintenance and operation of the state's aircraft fleet. KRS 36.410 states the agency shall:

- (a) Manage and operate the Capital City Airport;
- (b) Oversee the maintenance and care of all state aircraft;
- (c) Control the scheduling and operational use of state aircraft, including air charters; and,
- (d) Collect from using agencies and officers the costs of operating state aircraft, including air charters.

While this statute appears to give CCAD full operational control of all state aircraft, KRS 36.400(2) exempts KSP aircraft from these requirements. This allows KSP to operate six aircraft independently of CCAD control, with the exception of the maintenance for those six aircraft.

CCAD currently has full operational control of two helicopters that are owned by the Justice Cabinet. This means CCAD will schedule and pilot all flights, provide needed maintenance, and charge agencies that use the aircraft. Due to how these two aircraft were acquired, they can only be used for law enforcement purposes. This led to KSP being the only agency to use the two Justice Cabinet helicopters. Therefore, two state aircraft are owned by the Justice Cabinet, fully operated by CCAD, but are exclusively used by KSP.

In another example of overlapping duties, KSP provides general aviation services to other state agencies. In fiscal years 2007 and 2008, KSP provided a total of 352 flight hours to six different state agencies resulting in billings of \$278,821. KSP charges user agencies an hourly rate for flights as does CCAD. However, CCAD has the express statutory mandate to develop rates and to provide general aviation services, while KSP does not. Also, KSP is not required to provide the same administrative processes as CCAD that ensure proper aircraft usage and oversight, such as flight request forms and billing criteria.

Further complicating the organizational structure of the state's aircraft fleet, the Beechcraft King Air airplane has been transferred from KSP to CCAD and then back to KSP within a one-year period. Originally, under the operational control of KSP, the King Air was primarily for the transportation of the Governor and other state executives. It was transferred to the control of CCAD in July 2007, but KSP continued to pilot all flights for the aircraft. On June 30, 2008, the airplane was transferred back to KSP, where it continues to be used for general aviation.

Findings and Recommendations

The short-lived exchange of the King Air's operational control, and the other examples of overlapping duties noted above, exemplifies an organizational situation struggling to determine the proper roles for both CCAD and KSP. A review of the two agencies' air fleet duties is needed to ensure the air fleet is efficiently managed and complies with statutory requirements. Ownership of additional aircraft by Natural Resources and Agriculture further demonstrates the need for a management strategy for Kentucky state aircraft. In addition, KVE and the Department of Aviation do not own aircraft but each agency has a pilot on staff that may fly CCAD aircraft.

A survey of the seven surrounding states illustrated that five of these states were similar to Kentucky in that their air fleets were spread throughout several agencies. However, two states recently centralized their fleets. In Indiana, a commission appointed by the governor to study state aviation services determined that the fleet should be reduced. The recommendations of the Indiana commission resulted in a reduction from 20 aircraft to 12 and placed control of all state aircraft under one agency instead of the previous three. The Indiana State Police was one of the three agencies involved in consolidating state aircraft. Similarly, in West Virginia, the governor consolidated all state aircraft under one division with a fleet of two planes and three helicopters that have an average age of just 7.6 years.

By centralizing all state employee pilots and aircraft under one agency, the state could better gauge the need for air services and the resources necessary to serve that need. As the statutorily recognized agency for control of the state aircraft fleet, CCAD may be the most likely choice for centralized control. CCAD already pilots the majority of the state's fleet and nearly all state aircraft maintenance is performed by CCAD mechanics. In addition, with the exception of the Agriculture spray plane, state aircraft are located at the Frankfort airport, which is also overseen and operated by CCAD and would not have to be physically relocated.

Even though the definition of state aircraft fleet in KRS 36.400(2) excludes KSP, it does not require KSP to operate its own fleet. A transfer of aircraft and pilots to CCAD would not violate the statute. In fact, CCAD already operates and maintains two helicopters for exclusive law enforcement purposes. The difficulty of centralization in this manner is the ownership and usage restrictions that are placed on some KSP aircraft, and the fact that three of the four KSP pilots are sworn officers. Careful coordination would be needed to ensure the restrictions are not violated and that the skills and training of personnel are not negated.

Findings and Recommendations

Under a centralized aircraft fleet, the state should be able to coordinate the needs of all state agencies and eliminate duplicative aviation services. In addition, consolidating the aircraft fleet and selling redundant aircraft would provide funds that could be combined with the financial resources currently spread throughout several agencies. These funds could be used to help address the issue of Kentucky's old and outdated air fleet. This would make the aircraft fleet more efficient and, with better equipment, more effective. To further increase efficiencies, the pool of state pilots could be reduced to lessen the amount of non-flight related work hours.

Recommendations

The Governor's Office, as the highest executive office, should determine the optimal administrative organization of aviation services that will reduce redundancy or duplication of staff, aircraft, and other resources. The basis of this determination should include information and analysis from the Transportation Cabinet and the other state agencies that own aircraft. The Transportation Cabinet review and strategic plan recommended in Finding #9 will be needed to provide the Governor's Office with valuable information to make a determination as to the optimal organization and size of the state aircraft fleet.

Scope

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of the audit is to address the following objective:

Evaluate the Capital City Airport Division’s administration of state aircraft and the costs related to aircraft use.

In order to meet this primary objective, we undertook steps to satisfy three sub-objectives:

- **Determine how the Capital City Airport Division establishes the fees charged for the use of state aircraft and whether the fees are collected in compliance with KRS Chapter 36.**
- **Determine if the flight documents and approvals required by KRS 36.410, 36.415, 36.420, and 36.425 have been received and maintained.**
- **Determine whether charter flights are being scheduled through the Capital City Airport Division as required under KRS 36.410.**

The scope of this audit focused on the administration of Kentucky’s general use aircraft that are flown and maintained by the Capital City Airport Division. This includes the organizational outlay of all state aircraft, the mechanical status of the state’s aircraft, the fees CCAD charges for flights, and any other funding used for the operation of the general use air fleet. In addition, the scope included a review of all documents that would show which agencies used the aircraft and for what purpose to determine if usage was in line with statutory guidelines. The scope of the audit also included a review of charter flight use by all state agencies.

Methodology

In fulfilling the requirements of the established sub-objectives, we reviewed all applicable statutes and regulations attributed to the operation of state-owned aircraft. The statutes were identified as KRS 36.400 – 36.425 and pertained to the Division of Air Transport within Military Affairs. We also reviewed Executive Orders 2006-681, 2006-682, and the subsequent Executive Orders, which abolished the Division of Air Transport (DAT) and created the Capital City Airport Division (CCAD) within the Transportation Cabinet.

No regulations pertaining to state aircraft were found despite the required promulgation of such in KRS 36.410 for the purpose of setting rates for state aircraft usage. Therefore, we requested and reviewed the CCAD policies and procedures manual.

We interviewed the staff of several agencies within the Transportation Cabinet, including CCAD, the Department of Aviation, and the Office of Budget and Fiscal Management. During interviews and other correspondence, we requested a variety of materials and information related to aircraft flown by CCAD, such as:

- Age/Type/Usage hours of aircraft;
- Flights taken in FY 2007;
- Actual costs to operate the aircraft;
- Rates charged for use of the aircraft; and,
- Total amount that had been charged to agencies using the aircraft in FY 2007.

CCAD officials provided a listing of all flights on state aircraft that were operated by CCAD during FY 2007 and FY 2008. The total number of flights during FY 2007 was 530 with 1,713 hours of flight time. The total number of flights during FY 2008 was 438 with 1,416 hours of flight time. The flight listings included aircraft owned by CCAD, Natural Resources, and the Justice Cabinet.

The source for flight information is the flight database maintained by CCAD. No review of this computer system was conducted, but the data was considered sufficiently reliable based on the sample review of supporting documentation noted below.

To determine compliance with statutory requirements for documentation of flights on state aircraft, we selected a sample of 39 flights on state aircraft operated by CCAD, however we used a population of 397 flights by excluding KSP aircraft because the majority of these flights were related to drug enforcement missions and not general aviation transportation for other agencies. Also excluded were a limited number of flights for an older CCAD aircraft that had been sold and only used by the Department of Aviation. The 39 flights reviewed were chosen in a judgmental sampling method, with an emphasis on achieving a broad variety of chartering agency, destination, and aircraft used.

For each of the sampled flights, we reviewed all documents required by KRS 36.420 and KRS 36.425. These included:

- Flight request forms;
- Flight cards/passenger manifests; and,
- Billing and payment documents.

In reviewing these required documents, we developed certain attributes to check based on further requirements in KRS 36.415 – KRS 36.425. These included:

Request Forms

- Official agency approval signature and date;
- Cabinet and department name with appropriate billing account number;
- Purpose of the trip;
- Destination of the trip and all stopovers;
- Verification that passenger names were provided; and,
- Any percentage of personal time by Governor or Lt. Governor.

Flight Cards/Passenger Manifest

- Destination of the trip and all stopovers;
- Trip duration;
- Names of all passengers on the flight; and,
- Cabinet or agency name.

Billing and Payment Documents

- Trip duration noted;
- Amount billed to agency; and,
- Amount received from agency.

To calculate the potential downtime of pilots that fly CCAD aircraft, we used the total work hours of the four CCAD pilots and the one Department of Aviation pilot. These pilots work 37.5 hours per week, which results in total regular work hours of 9,750 per year. We subtracted the actual flight hours of 1,713 to have a remaining 8,037 hours. Since it is unknown how those remaining hours are spent, a hypothetical estimate was created where 50 percent of the 8,037 hours would be related to the total 530 flights carried out by the five pilots. The 50 percent is an arbitrary number chosen simply for the sake of the hypothetical estimate.

To calculate the potential cost of downtime for pilots, we used the salaries of the five pilots as reported by the Personnel Cabinet. We used the total of these five combined salaries and determined what percentage they were of the salaries paid for all employees of CCAD, which was 40 percent. This percentage was used to determine the percentage of total FICA and health insurance that should be attributed to the five pilots. An arbitrary amount of 50 percent of the total overtime paid by CCAD was attributed to the pilots, although this amount was considered conservative.

In order to fulfill part of the third sub-objective, we used the reporting capabilities associated with MARS and eMARS to determine which agencies have paid for private air charter services during FY 2004 – FY 2007 and how much they paid for those services. Only CCAD should be making these payments according to KRS 36.410.

We also conducted a survey of other state's agencies responsible for the operation their general use air fleets. States included in the survey were:

- Illinois;
- Indiana;
- Missouri;
- Ohio;
- Tennessee;
- Virginia; and,
- West Virginia.

Questions asked in the survey included items such as:

- Organizational structure of aircraft administration;
- Age and type of aircraft;
- Number of pilots;
- Basis for usage fees of aircraft;
- Aircraft replacement criteria;
- Private or self-funded insurance;
- Request form process;
- Identification checks of passengers; and,
- Personal and political use of aircraft.

We conducted an interview with KSP Aircraft Support Branch and requested flight data for FY 2007 and FY 2008. We discussed the aircraft owned by KSP and that agency's role in providing aviation services for the state.

In addition to the steps taken above, we also attempted a comparison of the costs to operate state-owned aircraft versus the cost to use only private air charter companies, as this could impact the primary objective. This was accomplished by surveying local charter companies to obtain rates for aircraft comparable to those owned by the state. A variety of financial scenarios were considered, but this effort produced no practical results as the number of variables were too great to achieve a consistent outcome.

36.400 Definitions for KRS 36.400 to 36.425.

As used in KRS 36.400 to 36.425, unless the context otherwise requires:

- (1) "Division of Air Transport" includes the Capital City Airport;
- (2) "State aircraft" means aircraft owned by the Commonwealth, leased by the Commonwealth, or otherwise under the control of the Commonwealth and administratively assigned to the Division of Air Transport. It shall also include air charters by the division. However, this shall not include or apply to any and all aircraft assigned to, owned, leased, operated, or controlled by the Department of Kentucky State Police, or otherwise under the control or direction of the Department of Kentucky State Police. The operation, maintenance, scheduling, and care of Department of Kentucky State Police aircraft shall not be included under or affected by KRS 36.400 to 36.425; and
- (3) "Official business" means any activity involving travel in a state aircraft if the activity is reasonably required, expected, or appropriate, considering the nature of the using public official's job responsibilities. The activities shall include but not be limited to attendance by officials at nonpartisan ceremonial functions and events where their appearance is normally expected by virtue of their office or where official representation of the Commonwealth is otherwise appropriate, and to nonpolitical flights by the Governor and members of his immediate family when accompanying or representing him.

Effective: June 26, 2007

History: Amended 2007 Ky. Acts ch. 85, sec. 120, effective June 26, 2007. -- Created 1998 Ky. Acts ch. 605, sec. 1, effective July 15, 1998.

36.405 Policy development supervision, management, and administration of Division of Air Transport and Capital City Airport.

- (1) The Adjutant General of Kentucky, as executive head of the Department of Military Affairs, shall be responsible for overall policy development and supervision of the Division of Air Transport and capital city airport.
- (2) A division director shall head the Division of Air Transport within the Department of Military Affairs.
- (3) The division director shall be responsible for the management and administration of the Division of Air Transport and the Capital City Airport.

Effective: July 15, 1998

History: Created 1998 Ky. Acts ch. 605, sec. 2, effective July 15, 1998.

36.410 Functions of the Division of Air Transport -- Authority for administrative regulations.

- (1) The functions of the Division of Air Transport shall be to:
 - (a) Manage and operate the Capital City Airport;
 - (b) Oversee the maintenance and care of all state aircraft;
 - (c) Control the scheduling and operational use of state aircraft, including air charters; and
 - (d) Collect from using agencies and officers the costs of operating state aircraft, including air charters.
- (2) Subject to the approval of the Adjutant General and in accordance with applicable state and federal statutes and regulations, the division shall promulgate administrative regulations under KRS Chapter 13A to:
 - (a) Establish user fees to be paid by users of the services and facilities of the Capital City Airport for charges including, but not limited to, hangar fees, tie-down fees, fuel, and aircraft supplies; and
 - (b) Establish fees for the usage of state aircraft.

Effective: July 15, 1998

History: Created 1998 Ky. Acts ch. 605, sec. 3, effective July 15, 1998.

36.415 Use of state aircraft.

- (1) Except as provided in subsection (2) of this section, state aircraft, including air charters, shall be used only for official business.
- (2) State aircraft shall not be used for personal business, except when the Governor or Lieutenant Governor, for reasons of security, protocol, ceremonial functions, or overall demands of time, require travel considerations not accorded to other officials. In recognition of these realities, flights that may be solely for personal business, or partly for official business or partly for personal business, may be scheduled for the Governor or the Lieutenant Governor and their immediate families.
 - (a) The cost of flights scheduled solely for personal business of the Governor or Lieutenant Governor shall be charged to that officer in accordance with the rate schedule set forth in the administrative regulations authorized by KRS 36.410.
 - (b) If a particular flight is in part official business and part personal business, the Governor or the Lieutenant Governor shall make a reasonable allocation of the flight time between official and personal business and be responsible for paying with nonstate funds to the Division of Air Transport the charge for the part of the flight that is allocable to personal business. The rate charged shall be calculated using costs that would be considered in a rate developed by a commercial air charter company. In these cases, the allocation made and the basis for the allocation shall be indicated on the aircraft request form.
- (3) Constitutional officers, other elected state officials, members of the General Assembly, officers and employees of the cabinets, departments, and agencies of

state government, officers and employees of other governmental units, and other persons traveling under the auspices of a state agency or in connection with state business deemed desirable by an agency head, including dependents of state officials, and news media representatives and other persons having an interest in the official purpose of the trip may be authorized to use state aircraft. Charges for travel in state aircraft shall be paid by the requesting state agency in accordance with the rate schedule established in administrative regulations authorized by KRS 36.410.

Effective: July 15, 1998

History: Created 1998 Ky. Acts ch. 605, sec. 4, effective July 15, 1998.

36.420 Approval of requests for use of state aircraft.

- (1) All requests for use of state aircraft shall be approved in advance by the:
 - (a) Constitutional officer;
 - (b) Program cabinet secretary or his designee in writing;
 - (c) For the judicial branch, the Chief Justice of the Supreme Court or the director of the Administrative Office of the Courts; or
 - (d) For the legislative branch, the co-chairs of the Legislative Research Commission or the director of the Legislative Research Commission.
- (2) Verbal requests for state aircraft transportation may be honored. However, all requests for state aircraft shall be provided in writing to the division within five (5) working days of the date of the flight.
- (3) Approving officials shall be responsible for determining that a trip is for official business, that use of state aircraft is the most appropriate means of transportation, and that the proposed passenger complement conforms to the requirements of KRS 36.415(3). In determining the passenger complement, requesting agencies shall weigh the benefit to the agency of the inclusion of additional passengers against the increased costs that might be incurred if a larger aircraft is required to accommodate additional passengers on a trip.
- (4) All requests for use of state aircraft shall be submitted on a form prescribed by the Division of Air Transport and shall contain at a minimum the following information:
 - (a) Cabinet or agency name;
 - (b) Department name with appropriate billing account number;
 - (c) Purpose of the trip;
 - (d) Destination, including any planned stopovers and the reason for them;
 - (e) Names of all passengers on the flight; and
 - (f) Identification of any percentage of the flight that is for personal business in cases of the Governor or Lieutenant Governor as allowed under KRS 36.415.

Effective: July 15, 1998

History: Created 1998 Ky. Acts ch. 605, sec. 5, effective July 15, 1998.

36.425 Recordkeeping for Division of Air Transport and use of state aircraft.

- (1) The Division of Air Transport shall arrange for all trips and maintain flight cards, passenger manifests, payment documents, and interaccount bills pertaining to each flight.
- (2) Pilots for all state agencies shall maintain a flight manifest for all flights which shall include the passengers' names, information pertaining to points of origin and destination, and any side trips or stopovers for each flight.
- (3) The Division of Air Transport shall maintain original manifests for all trips using state aircraft.
- (4) Originals of requests for the use of state aircraft shall be kept by the Division of Air Transport, with the following exceptions:
 - (a) The Governor and Lieutenant Governor shall maintain originals of all requests for the use of state aircraft made by their respective offices; and
 - (b) In cases where the secretary of the Cabinet for Economic Development has certified in an aircraft request that disclosure of the identities of passengers or the purpose of a trip will violate needs for confidentiality required for economic development efforts, the secretary of the Cabinet for Economic Development shall maintain complete original records of the request in his office.

Effective: July 15, 1998

History: Created 1998 Ky. Acts ch. 605, sec. 6, effective July 15, 1998.



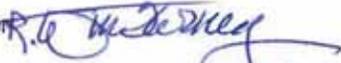
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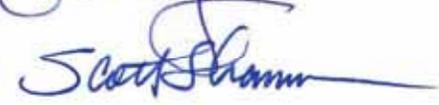
Steven L. Beshear
Governor

Joseph W. Prather
Secretary

MEMORANDUM

TO: Alice Wilson, Executive Director
Office of Audits

THRU: R. Winn Turney, Commissioner
Department of Aviation 

FROM: Scott Shannon, Assistant Director
Capital City Airport Division 

DATE: August 25, 2008

SUBJECT: Response to Performance Audit (DRAFT) - Kentucky's General Aviation Aircraft

The following response is submitted regarding the Auditor of Public Accounts' Evaluation of Kentucky's General Aviation Aircraft (Draft Working Paper):

Finding 1: Administrative regulations were not developed as required by KRS 36.410(2) to establish usage rates for flights on state aircraft.

While these regulations have not been developed, the informal process for setting aircraft usage rates was provided to the Auditor of Public Accounts with an explanation. A formal policy establishing fees for the usage of state aircraft will be developed listing the factors considered in calculating rates for use of state aircraft. This policy will be the basis of an administrative regulation once the General Assembly ratifies the reorganization Executive Order.

Finding 2: The purpose of flights on state aircraft cannot be determined when statutorily required flight request forms are not submitted.

A new (DRAFT) TC Form 56-51E (Rev.8/2008) Request for Use of State-Owned or State Chartered Aircraft has been revised and is also in the KYTC E-Forms Library awaiting approval for release. This revised form includes a specific block stating the purpose of the flight including the other statutory requirements, i.e., destination of the trip, all passengers' names, and any personal usage by the Governor or Lt. Governor. A new flight scheduling program was developed by the KYTC IT office to improve efficiencies within the flight scheduling branch of CCAD. CCAD implemented this program beginning July 1, 2008. This new program has a specific block to check when the written request forms are received allowing easy tracking. The CCAD will notify the Governor's Office that the statutes do not exempt the Governor's Office from this requirement and CCAD must retain copies to support the purpose of the flight.



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SUBJECT: Response to Performance Audit (DRAFT) - Kentucky's General Aviation Aircraft

Finding 3: The written form developed by CCAD for collecting flight request information from agencies does not include the minimum information required by statute.

The new (DRAFT) TC Form 56-51E (Rev.8/2008) Request for Use of State-Owned or State Chartered Aircraft includes the statutory requirements i.e., a billing account field and space to identify any personal use of a state aircraft by the Governor and Lt. Governor and the date of the approving official signature.

Finding 4: Kentucky's broad allowances for passengers may result in non-essential persons flying on state aircraft.

CCAD concurs with this finding; however, the final approval for passengers listed on the manifest rests with the requesting agency. This policy can be amended once the General Assembly ratifies the reorganization Executive Order.

Para 4-44 (Passenger Policy) of the CCAD Policy and Procedures manual currently includes the following:

c. The use of State aircraft is limited to official state requirements. It is essential that we prevent misuse of aviation resources as well as the perception of their misuse.

d. Personnel authorized to fly as passengers in CCAD aircraft are defined as:

- (1). State employees when on official business.
- (2). Employees of other agencies and technical advisors to the state when traveling on official business for the Commonwealth.

e. Passenger restrictions. Passengers are restricted from the following types of flights:

- (1). Maintenance test flights.
- (2). Flight crew emergency procedures training.

f. Transportation of Nonofficial Passengers. The sole reason for operation of a State-owned or leased aircraft is the accomplishment of official business. The transportation of nonofficial passengers will be avoided. A nonofficial passenger is a passenger who is not expected to participate in any business being conducted by the Commonwealth.

Finding 5: CCAD does not verify the identification of passengers on a state aircraft.

CCAD does not request or check the identification of passengers on state aircraft. However, like many other states, CCAD relies on the agencies that organize and pay for the flights to ensure that passengers' identities are accurate. The new (DRAFT) TC Form 56-51E (Rev.8/2008) Request for Use of State-Owned or State Chartered Aircraft has a statement that photo I.D is required prior to boarding state owned/chartered aircraft. This change will also be added to Para 4-4 (Passenger Policy) of the CCAD Policy and Procedures manual.

Finding 6: CCAD has not billed agencies for flights in a timely manner.

CCAD concurs the oversight was likely due to the quarterly billing process that allowed for some flights to be overlooked or forgotten. The CCAD now conducts a secondary review of all billings

SUBJECT: Response to Performance Audit (DRAFT) - Kentucky's General Aviation Aircraft

by an alternate staff member to ensure bills are complete and distributed in a timely manner. The CCAD has two people working on the billing process now. The flight scheduler and the internal policy analyst have developed a system to ensure each flight is tracked and billed monthly in lieu of quarterly. An internal review of all flights taken during FY 2007 was conducted by CCAD and agencies were billed and payments have been received for each flight.

Finding 7: CCAD is not able to control scheduling and use of air charter flights, as required by law.

CCAD concurs with this finding. CCAD will work with the Finance and Administration Cabinet (FAC) to ensure other agencies are not able to process payment for charter flight services without contacting CCAD. Changes to the cited authority for the non-state-owned aircraft charter flight expenditure code and informing agencies of the changes should be the responsibility of the FAC.

Finding 8: It is unknown how much "downtime" is incurred by Kentucky's state employee pilots.

CCAD pilots' time is spent on flight-related tasks or office duties as needed. The CCAD will seek a solution with the KYTC payroll branch to track all pilot work hours to account for the amount of time specifically required for the flight functions of state aircraft. The current KYTC payroll system (TIPS) allows employees to charge time to multiple grants/programs or activities. The CCAD will work with the KYTC Payroll Branch and the Division of Accounts to set up multiple function/activity/report codes (e.g. flight time, administrative work, down time, safety checks, aircraft maintenance, etc. as deemed appropriate). CCAD pilots will then allocate their daily time to the appropriate codes. The allocation will be captured using the KYTC daily sign-in/out timesheet (TC 31-396).

The Commonwealth's new system (KHRIS) is expected to be implemented for timesheets on 12/16/08 and it also supports the need for employees to allocate their time.

Finding 9: Kentucky has the oldest general aviation aircraft fleet when compared to surrounding states.

CCAD strongly concurs with this finding. The Cabinet will perform an analysis of the overall aviation needs of state agencies to determine whether the Commonwealth should replace any of the current aircraft fleet. This review will include a cost-benefit analysis, as well as a survey of state agencies regarding aviation needs and preferences. The Cabinet will then develop a strategic plan based on the conclusions of our analysis. CCAD will update our policies to ensure the review and strategic plan are conducted on a routine basis.

Finding 10: Kentucky has not fully centralized its state aircraft fleet.

CCAD strongly concurs with this finding. Upon completion of a strategic plan, CCAD will provide the Governor's office with information so that they can determine the optimal organization and size of the state aircraft fleet.

The point of contact is Scott Shannon, Assistant Director, Capital City Airport Division, telephone 502-564-0520 or email scott.shannon@ky.gov.

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Obtaining Audit Reports

Copies of this report or other previously issued reports can be obtained for a nominal fee by faxing the APA office at 502-564-0067. Alternatively, you may order by mail:

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Services Offered By Our Office

The staff of the APA office performs a host of services for governmental entities across the commonwealth. Our primary concern is the protection of taxpayer funds and furtherance of good government by elected officials and their staffs. Our services include:

Financial Audits: The Division of Financial Audit conducts financial statement and other financial-related engagements for both state and local government entities. Annually the division releases its opinion on the Commonwealth of Kentucky's financial statements and use of federal funds.

Examination and Information Technology: The Division supplies computer system control expertise and investigates citizen complaints. The Division audits computer system security and other controls and performs system data analysis. Our fraud hotline, 1-800-KY-ALERT (592-5378), and referrals from various agencies and citizens produce numerous cases of suspected fraud and misuse of public funds referred to prosecutorial offices when warranted.

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General Questions

General questions should be directed to Terry Sebastian, Director of Communication, at (502) 573-0050 or the address above.