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Auditor Edelen Releases CVG special examination, calls for restructuring board
Recommends governor, legislature revise laws to clean up decades-old mess

FLORENCE, Ky. (Aug. 19, 2014) – Auditor Adam Edelen on Tuesday released a special examination of the Cincinnati/Northern Kentucky International Airport (CVG) board, calling for an overhaul of the governance structure to end decades of waste and abuse and better reflect the regional significance of the airport.

“For far too long, CVG has served as a political appendage of the Kenton County judge/executive,” Auditor Edelen said. “One individual literally controls an airport that serves a metropolitan area of 2.1 million people and is critical to the economic vitality of the region and two states. Today, I am proposing reform to bring much-needed accountability and representation that reflects all the stakeholders of this regional asset.”

Auditor Edelen launched a special examination after media reports raised concerns about travel, spending and board governance. The 48-page report contains 12 findings and several recommendations.

The most significant recommendation calls on the Kentucky governor and legislature to revise statutes to restructure the CVG board. Currently, the Kenton County judge/executive appoints all seven voting members and the majority of the board’s 11-member advisory committee, a structure that has created confusion among board and advisory committee members and increases the risk of political influence affecting board member decisions.

During the examination, auditors identified a document created by the outgoing Kenton County judge-executive outlining criteria for “ideal board members.” Among the criteria was a bullet item that stated, “Current supporter or future supporter of my campaign.”

“CVG is routinely ranked as one of the most expensive airports in the country and has lost 500 daily flights and some 17 million passengers since 2005,” Auditor Edelen said. “Although some strides have been made in the past year to add flights, the board’s dysfunction cannot be

permitted to hinder the airport's ability to attract new carriers and flights, which helps grow the economy of the region.”

Auditor Edelen proposes an 11-member board with each member having equal standing and voting authority:

- Three appointments by the Kenton County judge/executive, with confirmation by fiscal court;
- Two appointments by the Boone County judge/executive, with confirmation by fiscal court;
- One appointment by the Campbell County judge/executive, with confirmation by fiscal court;
- Two appointments by the Kentucky governor;
- One appointment by the Ohio governor;
- One appointment by the mayor of Cincinnati, with confirmation by city council;
- One appointment by the Hamilton County Board of Commissioners.

Auditor Edelen's proposal already has broad, bipartisan support. It has been endorsed by Kentucky Gov. Steve Beshear, Kenton County Judge/Executive-elect Kris Knochelmann, Boone County Judge/Executive Gary Moore and Cincinnati Mayor John Cranley, among others.

“I am pleased that this proposal has already garnered widespread support and I particularly want to recognize the next Kenton County judge/executive for having the courage to support this call for reform,” Auditor Edelen said.

Knochelmann said he plans to work with local legislators to draft a bill to restructure the CVG board.

“Sometimes the only way to reform a broken institution is by starting over,” Knochelmann said. “After reading Auditor Edelen's report, I have come to the conclusion that the problems we are discussing today are in large part a result of the antiquated structure of the board itself. I am not here to dwell on the past or take aim at the good men and women who have served on the board over the years, but to affirm the existing structure of the airport's governing body is in need of wholesale change.”

The report dispels a long-running belief that the airport is Kenton County's asset, a notion that has been used to justify continued control by the Kenton County judge/executive. Kenton County is the original sponsor of CVG, providing financial assistance at the onset of the project and establishing the original governing body for the airport. However, CVG, as the Kenton County Airport Board, including the land on which it operates, is not included in the financial statements of the Kenton County Fiscal Court. Moreover, Kenton County provides no funding for CVG and is not financially-obligated for any of the airport's bonds. CVG does not remit taxes or fees to Kenton County.

“This audit confirms what many have thought all along: the airport is owned by the board,” Knochelmann said. “The only thing that has become a county asset over the years is the Kenton

County judge/executive’s power to unilaterally appoint members to the board, and that is the type of old-style politics this county no longer needs. It’s time for a new day in Kenton County.”

Auditor Edelen’s examination also delved into board contract issues. Auditors found the board engaged a contractor for \$60,000 for public relations services without first consulting CVG staff. Several months after the contract was initiated, the CEO requested all invoices for the PR firm be approved by the board chair because staff could not attest to the work performed by the contractor. The discord between the board and management appear to have played a role in selecting a contractor that resulted in potentially duplicated services.

Auditors found the board engaged the services of another contractor for \$25,000 to duplicate the work of the Auditor’s office, which appears questionable, wasteful and fiscally irresponsible.

The Auditor’s office also found that no formal, written contract has existed between the board and its law firm for decades, despite CVG spending millions of dollars on these legal services. Though the fee structure appeared reasonable, auditors found \$4,075 in duplicate charges paid to the attorney. CVG management has discussed this issue with the attorney, who has agreed to issue a credit for future billings to offset the duplicate payments.

The special exam details excessive spending on travel to industry conferences, on expenses associated with the outgoing judge/executive and his spouse and board meals.

CVG spent more than \$100,000 on travel and meals at four conferences. At one conference in Calgary, Canada, in 2012, CVG sent 11 board and advisory committee members, plus the CEO, board attorney and Kenton judge/executive. CVG representatives made up 26 percent of all attendees.

“A flawed, outdated board governance structure has allowed this culture of entitlement to exist,” Auditor Edelen said. “Today, I call on the leadership of this region to finally bring reform to this important community asset.”

The audit report can be found on the [auditor’s website](#).

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