

November 22, 2022

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Subject: Division of Aeronautics Performance Audit follow up to Legislative Audit Committee

This letter is regarding the request for additional information on three items related the Fly the Big Sky: Division of Aeronautics and Yellowstone Airport Operations (21P-05) performance audit report presented at the Legislative Audit Committee meeting on October 5, 2022.

1. Chair Hayman requested the timeline to accomplish MDT's corrective action responses to the recommendations presented in the performance audit report.
  - A. Recommendation #1: We recommend the Department of Transportation and the Board of Aeronautics: A) Develop Administrative Rules requiring the Board of Aeronautics use a scoring system as the primary basis for awarding Airport Grants and Loans Program funding, and B) Document all departures from the scoring system by the board when approving funding.

Corrective Action: The Board of Aeronautics was unable to convene prior to preparing a response to this recommendation. The Board of Aeronautics met on November 9 and will send the corrective action directly to the Committee. The Department of Transportation will continue to provide support to the Board of Aeronautics in all matters pertaining to the award of Airport Grants and Loans and document the justification of awards.

Timeline: The estimated timeline for response is November 18, 2022.

- B. Recommendation #2: We recommend the Department of Transportation: A) Require Airport Grants and Loans Program award recipients submit documentation supporting funding expenditures and actual project cost as part of the closeout process. B) Review the documentation to ensure the funding was spent appropriately and that the recipient does not need to reimburse any part of the award.

Corrective Action: Some Airport Grants and Loans Program award recipients have consultants manage their projects and, upon request, prepare closeout documentation. The Department of Transportation will continue to assess risk on Airport Grants and Loans Program award recipients for the Audit Services Unit to

conduct targeted and random audits of award recipients. To fully concur with this recommendation, the Department of Transportation would need to acquire additional FTE.

Timeline: MDT will continue assess risk of Airport Grants and Loans Program award recipients for the Audit Services Unit to conduct targeted and random audits of award recipients. If MDT is directed to require all Airport Grants and Loans Program award recipients to submit documentation and MDT staff review the funding expenditures and actual project cost documentation, the timeline will follow Legislative processes to allocate additional FTE and time to hire. The estimated timeline is no earlier than December 31, 2023.

- C. Recommendation #3: We recommend the Department of Transportation implement sufficient internal controls to ensure the Airport Grants and Loans Program information system data is complete and accurate.

Corrective Action: The existing close out form submitted by the awardee affirms total project costs and completion date. The Department of Transportation is acquiring software to assist with management of the Airports Grants and Loans Program. The new management software will allow the department to set internal controls, manage workflows, store documents and policies, and allows for future growth.

Timeline: MDT estimates acquisition of internal control software by December 31, 2022, with full implementation by July 1, 2024.

- D. Recommendation #4: We recommend the Department of Transportation implement and maintain a written Standard Leasing Policy document to define and centralize Airport Lease Management Program policies, staff roles and their specific procedures, and program documentation.

Corrective Action: The Department of Transportation currently documents all leased and licenses on a central spreadsheet. Existing succession planning documents outline processes to manage, track, invoice, create, and enforce lease and license agreements. Additionally, the Department of Transportation is acquiring software to assist with management and centralization of leasing documents and procedures. The new management software will allow the department to set internal controls, manage workflows, store documents and policies, e-sign, and allow for future growth. The Department of Transportation will create a leasing policy that consolidates policies, staff procedures, templates, and other pertinent information.

Timeline: MDT estimates development and implementation of a written Standard Leasing Policy by June 30, 2023.

2. Senator Flowers requested additional clarity of the revenues and expenditures at Yellowstone Airport for 2020 and 2021. The increased revenues from \$631,000 (2020) to \$874,000 (2021) is largely attributable to the inclusion of CARES Act Operation and Maintenance (O&M) revenues. The CARES O&M revenues were received to offset the Federal Aviation Administration allowable operation and maintenance costs associated with operation of the airport. The increased expenditures from \$603,000 (2020) to \$958,000 (2021) is largely attributable to the inclusion of runway depreciation which was included in 2021 but not 2020.
3. Representative Moore requested a business plan for the new West Yellowstone terminal project. See Attachment 1 – West Yellowstone Terminal Business Plan.

Sincerely,



Malcolm D. Long  
Director

copies: Representative Denise Hayman, Chair  
Senator Pat Flowers  
Representative Terry Moore  
Chelsea Rayfield, Management & Program Analyst