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Date: June 7, 2010

To: Audit & Finance Committee

From: Jennifer Ruttman, City Auditor 

Subject: Audit of Falcon Field Fuel Flowage Fees

cc: Natalie Lewis, Assistant to the City Manager  
Corrine Nystrom, Airport Director  
Rick Welker, Financial Coordinator  
Paul Lessaongang, President, Falcon Executive Aviation, Inc.  
Thomas Hertzler, President, Tango One Aviation, Inc.  
Martin Doss, President, Heliponents Inc.

Pursuant to the Council-approved audit plan for fiscal year 2009/2010, the City Auditor's office has completed an audit of Falcon Field's fuel flowage revenues. Our report is attached for your reference.

We would like to thank the staffs of Falcon Field Airport, Falcon Executive Aviation Inc., Tango One Aviation Inc., and Heliponents Inc. for their cooperation and professionalism during this audit. Should you have any questions, please do not hesitate to contact me at x3767.

## **AUDIT REPORT**

**CITY AUDITOR**

**Report Date: June 7, 2010**  
**Department: Falcon Field**  
**Subject: Audit of Fuel Flowage Fees**

### **OBJECTIVE**

The objective of this audit was to determine whether the City is receiving the correct amount of fuel flowage fees, as provided under the terms of its fuel concession agreements.

### **SCOPE**

All fuel deliveries made during calendar year 2009 were tested to ensure that they were reported to the City, and that all applicable fuel flowage fees were accurately calculated, received and recorded.

### **METHODOLOGY**

To meet this objective, we:

- Interviewed relevant City staff members regarding current processes and issues related to fuel deliveries and fuel flowage fees.
- Examined fuel delivery documents and accounting records at each FBO.
- Examined City revenue records and supporting documents.
- Conducted testing and analyses of transactions.

### **BACKGROUND**

The City's Falcon Field Airport maintains concession agreements with three Fixed Base Operators (FBOs) for the right to store, handle and sell aviation fuels and oils to the general public. Pursuant to these agreements, each FBO pays fuel flowage fees to the City based on the number of gallons of fuel delivered to their facilities. Fees are paid each month based on the prior month's fuel deliveries. Currently, the rate per gallon of Aviation Gas is \$.10 and the rate per gallon of Jet-A Fuel is \$.12.

### **OBSERVATIONS**

We found that one fuel delivery in November 2009 was not reported to Mesa; and that the corresponding fees were not paid in December 2009. However, some unusual circumstances contributed to this error and we believe it was an isolated and unintentional occurrence. In addition, it does not appear to be representative of any ongoing control weakness that would increase the risk of a similar event in the future. We brought this finding to the attention of the FBO and the fees were paid shortly thereafter. All other fees reviewed were received when due.

### **CONCLUSION**

Overall, it is our opinion that the City is receiving the correct amount of fuel flowage fees as provided under the terms of its fuel concession agreements.