



County of Allegheny

Office of the Controller

VOYAGER JET CENTER, LLC
REPORT ON CONTRACT
COMPLIANCE PROCEDURES
FOR THE PERIOD JANUARY 1, 2012
THROUGH DECEMBER 31, 2014
(NON-AUDIT SERVICE)

March 30, 2015

Chelsa Wagner
Controller

104 County Courthouse
436 Grant Street
Pittsburgh, PA 15219
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Contents

Letter	1
Executive Summary	3
Introduction	5
Scope & Methodology	6
Findings and Recommendations:	
Finding #1: Untimely Rent and Fuel Flowage Fee Payments	7
Response from Voyager Jet Center, LLC	9
Response from the Airport Authority	10



CHELSA WAGNER
CONTROLLER

COUNTY OF ALLEGHENY

OFFICE OF THE CONTROLLER

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March 2, 2015

Ms. Christina Cassotis
Executive Director
Allegheny County Airport Authority
Landside Terminal, 4th Floor Mezzanine
P.O. Box 12370
Pittsburgh, PA 15231

SUBJECT: Contract Compliance Procedures Applied to License Agreement #1384 and Lease Agreement #1952 as Amended Between Voyager Jet Center, LLC and Allegheny County Airport Authority for the Period January 1, 2012 through December 31, 2014

Dear Ms. Cassotis:

We have applied compliance procedures to license agreement #1384 and lease agreement #1952 as amended between Allegheny County Airport Authority and Voyager Jet Center, LLC ("Voyager"). Our compliance procedures covered the period from January 1, 2012 through December 31, 2014. Our engagement was performed as a non-audit service, and therefore was not conducted in accordance with *Government Auditing Standards*.

The application of our compliance procedures revealed that Voyager issued lease and fuel flowage fee payments to the Airport Authority in an untimely manner during 2012, 2013, and 2014.

The results of the application of our compliance procedures are provided in the attached report. We believe that the implementation of our recommendations will improve Voyager's compliance with the agreements.



Ms. Christina Cassotis
March 2, 2015
Page 2

We would like to thank the management and staff of Voyager Jet Center, LLC and Allegheny County Airport Authority for their courtesy and cooperation during the performance of our procedures.

Kind regards,

A handwritten signature in black ink, appearing to read "Chelsa Wagner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Chelsa Wagner
Controller

A handwritten signature in black ink, appearing to read "Lori Churilla". The signature is cursive and elegant, with a prominent loop at the end.

Lori Churilla
Assistant Deputy, Auditing

cc: Mr. David Minnotte, Board Chair, Airport Authority
Ms. Jan Rea, Audit Committee Chair, Airport Authority
Mr. James Gill, CFO & CSO, Airport Authority
Mr. Steve Robinson, Vice President of Finance, Airport Authority
Mr. Karl Foerster, General Manager, Voyager Jet Center, LLC
Mr. Sam Spataro, Finance Director, Voyager Jet Center, LLC

Purpose

We performed our compliance procedures to assess whether Voyager Jet Center, LLC was in compliance with the scope and terms of License Agreement #1384 and Lease Agreement #1952 as amended for the period January 1, 2012 through December 31, 2014.

Background

Voyager Jet Center, LLC (“Voyager”) is licensed by the Airport Authority to operate a Fixed Based Operation (“FBO”) at the Allegheny County Airport in West Mifflin, PA. Voyager is a party to two agreements with the Airport Authority that govern its operations at the Allegheny County Airport. License Agreement #1384, effective July 2005, permits Voyager to operate a fixed base operation at the Allegheny County Airport, including fuel service, commercial air operations, office and conference facilities and other related operations. The License Agreement is effective as long as Voyager continues to operate an FBO at the Allegheny County Airport. Ground Lease Agreement #1952, effective January 2007, addresses the leasing of space which may be used for the operation of an FBO. Ground Lease Agreement #1952 has an initial term of 20 years. Voyager has the option to exercise up to two 5-year renewal terms provided that it is not in material default of any of the lease terms and conditions.

The Agreements require Voyager to pay the Airport Authority rent and fuel flowage fees as compensation for the license to operate an FBO at the Allegheny County Airport. Rent (and a business surcharge included as additional rent) is based on the square footage of the leased space, and is payable in equal monthly installments on or before the first day of each calendar month. Fuel flowage fees are based on the gallons of fuel delivered to Voyager at the Allegheny County Airport, and are payable monthly on or before the 20th day of the following month. The rates used to determine fuel flowage fees are published annually by the Airport Authority. The published 2011 fuel flowage rate is \$0.08 per gallon for each gallon of fuel delivered (the intent was aviation fuel). The fuel flowage fee payments are to be accompanied by a detailed statement setting forth the exact quantities of fuel products delivered.

Results in Brief

While performing our procedures, we found that Voyager needs to take steps to ensure that contract payments are consistently made to the Airport Authority on a timely basis. Specifically, we found:

Finding #1: Untimely Rent and Fuel Flowage Fee Payments

We determined that 11 of 12 monthly rental payments (92%) were issued to the Airport Authority late in 2014, and 12 of 12 monthly rental payments (100%) were issued to the Airport Authority late 2013 and 2012. The rental payments were submitted an average of 4, 137, and 63 days late in 2014, 2013, and 2012, respectively. We also determined that 3 of 12 monthly fuel flowage fee payments (25%) were issued to the Airport Authority late for 2014, and that 12 of 12 monthly fuel flowage fee payments (100%) were issued to the Airport Authority late for 2013 and 2012. The fuel flowage fee payments were submitted an average of 5, 131, and 50 days late

EXECUTIVE SUMMARY

for 2014, 2013, and 2012, respectively. We calculated the interest and service charges due for 2014, 2013, and 2012 to be \$137.91, \$4,687.80, and \$2,686.84, respectively, or \$7,512.55 in the aggregate.

Recommendations: We recommend that the management of Voyager take steps to ensure that rent and fuel flowage fee payments are consistently issued to the Authority in a timely manner.

We also recommend that the Airport Authority should address the interest and service charges due from Voyager.

I. Introduction

Voyager Jet Center, LLC (“Voyager”) is licensed by the Airport Authority to operate a Fixed Based Operation (“FBO”) at the Allegheny County Airport in West Mifflin, PA. Voyager is a party to two agreements with the Airport Authority that govern its operations at the Allegheny County Airport. License Agreement #1384, effective July 2005, permits Voyager to operate a fixed base operation at the Allegheny County Airport, including fuel service, commercial air operations, office and conference facilities and other related operations. The License Agreement is effective as long as Voyager continues to operate an FBO at the Allegheny County Airport. Ground Lease Agreement #1952, effective January 2007, addresses the leasing of space which may be used for the operation of an FBO. Ground Lease Agreement #1952 has an initial term of 20 years. Voyager has the option to exercise up to two 5-year renewal terms provided that it is not in material default of any of the lease terms and conditions.

The Agreements require Voyager to pay the Airport Authority rent and fuel flowage fees as compensation for the license to operate an FBO at the Allegheny County Airport. Rent (and a business surcharge included as additional rent) is based on the square footage of the leased space, and is payable in equal monthly installments on or before the first day of each calendar month. Fuel flowage fees are based on the gallons of fuel delivered to Voyager at the Allegheny County Airport, and are payable monthly on or before the 20th day of the following month. The rates used to determine fuel flowage fees are published annually by the Airport Authority. The published 2011 fuel flowage rate is \$0.08 per gallon for each gallon of fuel delivered (the intent was aviation fuel). The fuel flowage fee payments are to be accompanied by a detailed statement setting forth the exact quantities of fuel products delivered.

II. Scope and Methodology

We applied compliance procedures to License Agreement #1384 and Lease Agreement #1952 as amended between Allegheny County Airport Authority and Voyager Jet Center, LLC (“Voyager”). We performed our compliance procedures to assess whether Voyager Jet Center, LLC is in compliance with the scope and terms of License Agreement #1384 and Lease Agreement #1952 as amended. Our compliance procedures covered the period from January 1, 2012 through December 31, 2014. Specifically, we performed the following procedures:

- Interviewed Voyager personnel to gain an understanding of the processes used to determine fuel flowage fees and the processes used to report and remit them.
- Traced information contained in the reports submitted by Voyager to the underlying accounting records (test basis).
- Examined records of Voyager that were relevant to the administration of the Agreements to assess compliance with the Agreements.
- Applied procedures to determine whether required payments to the Airport Authority were made timely and in the proper amounts.

We performed these procedures in February of 2015. We provided a draft copy of this report to Voyager’s management and the Airport Authority for comment (see pages 9 and 10).

III. Findings and Recommendations

Finding #1: Untimely Rent and Fuel Flowage Fee Payments

Criteria: Section 5.1 of Lease Agreement #1952 stipulates that rent payments are due on a monthly basis on or before the first day of each month, and that late payments will be subject to an interest charge of prime plus 2%. Section 5.5 of the Agreement also stipulates that fuel flowage fees based on the amount of fuel delivered to Voyager for each month are due on or before the twentieth day of the subsequent month. Section 3.D. of License Agreement #1384 stipulates that a service charge of 2% per month will be applied to balances outstanding for 30 days or more.

Condition: During the performance of our procedures, we determined that 11 of 12 monthly rental payments (92%) were issued to the Airport Authority late in 2014, and 12 of 12 monthly rental payments (100%) were issued to the Airport Authority late 2013 and 2012. The rental payments were submitted an average of 4, 137, and 63 days late in 2014, 2013, and 2012, respectively. For purposes of analyzing the timeliness of rental payments, we considered the date that the final rental payment for each month was received to be the date submitted. We also determined that 3 of 12 monthly fuel flowage fee payments (25%) were issued to the Airport Authority late for 2014, and that 12 of 12 monthly fuel flowage fee payments (100%) were issued to the Airport Authority late for 2013 and 2012. The fuel flowage fee payments were submitted an average of 5, 131, and 50 days late for 2014, 2013, and 2012, respectively.

In December of 2013, the aggregate amount of the delinquent balance carried by Voyager was calculated by the Airport Authority to be \$108,241.90. At that time, the Airport Authority entered into a payment plan agreement with Voyager. Under the payment plan agreement, the Airport Authority was to forgive the interest and late fees due on the late payments if Voyager immediately posted \$37,500 as security for future rent obligations, liquidated the delinquent balance by making 12 monthly installment payments of \$9,020.16, and made all payments due going forward on a timely basis. While Voyager posted the \$37,500 as security and liquidated the delinquent balance owed to the Airport Authority in twelve monthly installments, installment payments and regular monthly payments in 2014 were submitted late. Therefore, the interest and late fees on the late payments made prior to 2014 are due unless the Airport Authority elects to forgive them. We calculated the interest and service charges due for 2014, 2013, and 2012 to be \$137.91, \$4,687.80, and \$2,686.84, respectively, or \$7,512.55 in the aggregate.

Cause: The management of Voyager advised us during the prior audit that all amounts due to the Airport Authority are eventually paid, and that untimely payments are attributable to Voyager's cash flows (the timing of other business-related receipts and payments).

III. Findings and Recommendations

Effect: The effect of this condition is that Voyager has not fully complied with sections 5.1 and 5.5 of Lease Agreement #1952.

Recommendations: We recommend that the management of Voyager take steps to ensure that rent and fuel flowage fee payments are consistently issued to the Authority in a timely manner.

We also recommend that the Airport Authority should address the interest and service charges due from Voyager.

VOYAGER

JET CENTER, LLC

March 24, 2014

Ms. Chelsa Wagner
Controller
Allegheny County Controller's Office
219 County Courthouse
436 Grant Street
Pittsburgh, PA 15219

Dear Ms. Wagner,

We at Voyager Jet Center, LLC would like to thank your team's professionalism on handling the audit. Our company did not experience any disruptions or distractions for the period of the audit.

As for the late payment, we feel that Voyager Jet Center, LLC has come a long way since 2012 on trying to pay on a timely manner. However, I do agree that we are not quite there yet.

Steps have been taken to try and eliminate these late payments. We have requested that the Allegheny County Airport Authority email all rent invoices. Payment will be made and mailed by the next day. Also, our Customer Service Personnel at our FBO have been instructed to email our fuel purchases for the month to the Airport Authority the first week of the following month in order to pay the concession fees by the 20th of the month.

Kind regards,



Sam R. Spataro
Finance Director



Allegheny County Airport Authority

Pittsburgh International Airport

Landside Terminal, 4th Floor Mezz.

PO Box 12370

Pittsburgh, PA 15231-0370

p: 412.472.3500

March 25, 2015

Ms. Chelsa Wagner
Controller
County of Allegheny
104 Courthouse
436 Grant Street
Pittsburgh, PA 15219-2498

Voyager Jet Center, LLC
Report on Contract
Compliance Procedures

Dear Ms. Wagner:

We concur with the audit findings of untimely rent and fuel flowage fee payments during the audit period January 1, 2012 through December 31, 2014. Also, we concur with the audit recommendation that the Authority is due \$7,512.55 in late fees and interest charges for the period audited.

Please finalize and release this audit report.

Sincerely,

Stephen W. Robinson
Senior Vice President, Finance

cc: Christina A. Cassotis, CEO

