



County of Allegheny

Office of the Controller

VOYAGER JET CENTER, LLC
REPORT ON CONTRACT
COMPLIANCE PROCEDURES
FOR THE PERIOD JANUARY 1, 2011
THROUGH DECEMBER 31, 2011

NON-AUDIT SERVICE

October 5, 2012

Chelsa Wagner
Controller

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CHELSA WAGNER
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September 24, 2012

Mr. Bradley Penrod
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, 2011 through December 31, 2011

Dear Mr. Penrod:

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, 2011 through December 31, 2011. 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.

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.

Mr. Bradley Penrod
September 24, 2012
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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,



Chelsa Wagner
Controller



Lori Churilla
Assistant Deputy, Auditing

CW/lc

cc: Mr. David Minnotte, Board Chair, Airport Authority
Mr. Glenn R. Mahone, Audit Committee Chair, Airport Authority
Mr. James Gill, CFO & CAO, Airport Authority
Mr. Steve Robinson, Controller, Airport Authority
Mr. Eric Ruprecht, Director – Bus. Adm. & Prop., Airport Authority
Mr. Karl Foerster, General Manager, Voyager Jet Center, LLC
Mr. Robert Titus, Finance Director, Voyager Jet Center, LLC
Mr. Robert J. Lentz, Assistant Deputy Controller, Accounting

EXECUTIVE SUMMARY

Purpose of Procedures:

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.

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.

EXECUTIVE SUMMARY

Specifically, we found:

Finding #1:

- We determined that 12 of 12 monthly rental payments (100%) were issued to the Airport Authority late for 2011. The rental payments were submitted an average of 47 days late. We also determined that 12 of 12 monthly fuel flowage fee payments (100%) were issued to the Airport Authority late for 2011. The late fuel flowage fee payments were submitted an average of 40 days late. We also observed that Voyager continued to issue late rent and fuel flowage fee payments to the Airport Authority for 2012.

Recommendation:

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

I. Introduction

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.

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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, 2011 through December 31, 2011.

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 September of 2012. We provided a draft copy of this report to Voyager’s management for comment (see page 8).

III. Findings and Recommendations

Finding #1

Untimely Rent and Fuel Flowage Fee Payments

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. 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.

During the performance of our procedures, we observed that Voyager often pays the rent due under the Lease Agreement with multiple payments, where each individual payment is associated with one or more of the several specific parcels of leased property. 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 determined that 12 of 12 monthly rental payments (100%) were issued to the Airport Authority late for 2011. The rental payments were submitted an average of 47 days late. We also determined that 12 of 12 monthly fuel flowage fee payments (100%) were issued to the Airport Authority late for 2011. The fuel flowage fee payments were submitted an average of 40 days late. We also observed that Voyager continued to issue late rent and fuel flowage fee payments to the Airport Authority for 2012.

Management has advised us 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).

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

Recommendation

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