



# County of Allegheny

## Office of the Controller

**CORPORATE AIR, LLC  
REPORT ON CONTRACT  
COMPLIANCE PROCEDURES  
FOR THE PERIOD JANUARY 1, 2010  
THROUGH DECEMBER 31, 2010**

**MAY 31, 2011**

**County of Allegheny  
Office of the Controller  
Mark Patrick Flaherty  
Controller**

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**MARK PATRICK FLAHERTY**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

104 COURTHOUSE • 436 GRANT STREET  
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**GUY A. TUMOLO**  
DEPUTY CONTROLLER

April 26, 2011

Mr. Bradley Penrod  
Executive Director  
Allegheny County Airport Authority  
Landside Terminal, 4<sup>th</sup> Floor Mezzanine  
P.O. Box 12370  
Pittsburgh, PA 15231-0370

**SUBJECT: Compliance Procedures Applied to License Agreement #2098  
Between Allegheny County Airport Authority and Corporate Air, LLC  
for the Period January 1, 2010 through December 31, 2010**

Dear Mr. Penrod:

We have applied contract compliance procedures to License Agreement #2098 (the "Agreement") between the Allegheny County Airport Authority ("Airport Authority") and Corporate Air, LLC ("Corporate Air"). We performed these compliance procedures to ensure that Corporate Air was in compliance with the scope and terms of the Agreement. Our compliance procedures covered the period from January 1, 2010 through December 31, 2010. 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 Corporate Air did not retain all records required to be maintained by the Agreement, that there are several deficiencies in Corporate Air's collection process, and that Corporate Air did not comply with reporting and fee remittance requirements contained in the Agreement. In addition, as of April 15, 2011, Corporate Air had a liability to the Airport Authority of at least \$14,822 in landing and parking fees attributable to landings and parking by aircraft that were owned or managed by Corporate Air.

Mr. Bradley Penrod  
April 26, 2011

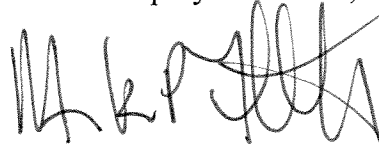
Corporate Air's management should take steps to ensure that all documents required to be retained are maintained for the period specified in the Agreement. In addition, Corporate Air should ensure that adequate personnel resources are allocated to the collection process, that more vigorous collection procedures and supervisory reviews of the collection process are established and implemented, and that monthly reports and payments and annual reports are submitted to the Airport Authority in a timely fashion.

We believe that the implementation of our recommendations will improve Corporate Air's compliance with the Agreement. The results of the application of our compliance procedures are provided in the attached report. We would like to thank the management and staff of Corporate Air for their courtesy and cooperation during the performance of our procedures.

Very truly yours,



Lori A. Churilla  
Assistant Deputy Controller, Auditing



Mark Patrick Flaherty  
Controller

cc: Mr. Glenn R. Mahone, Chairman, Allegheny County Airport Authority  
Mr. Richard Shaw, Chair, Audit Committee, Allegheny County Airport Authority  
Mr. James Gill, CFO and CAO, Airport Authority  
Mr. Steve Robinson, Controller, Airport Authority  
Mr. Eric Ruprecht, Director – Bus. Adm. & Prop., Airport Authority  
Mr. Philip Ehrman, Vice President, Corporate Air  
Mr. Guy A. Tumolo, Deputy Controller  
Mr. Robert J. Lentz, Assistant Deputy Controller, Accounting

## EXECUTIVE SUMMARY

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### **Purpose of Procedures:**

We performed our compliance procedures to ensure that Corporate Air was in compliance with the scope and terms of License Agreement #2098.

### **Background:**

The Allegheny County Airport Authority ("Airport Authority") entered into License Agreement #2098 (the "Agreement") with Corporate Air, LLC ("Corporate Air") in September 2008. The Agreement provides that Corporate Air, as licensee, will act as an agent of the Airport Authority and collect all landing and parking fees imposed by the Airport Authority at the Allegheny County Airport. In consideration for the tracking and collection of landing and parking fees at the Allegheny County Airport, Corporate Air is entitled to compensation in the form of fixed monthly payments at \$3,500 per month during the first license year. The monthly payments for the service increase by \$100 in the first month of each license year (such that the monthly payments for each month of the fifth license year would be \$3,900). The Agreement has a five year term ending August 2013, but will continue thereafter on a month-to-month basis until terminated by either party. For 2010, Corporate Air remitted \$133,433 to the Airport Authority (gross landing and parking fees of \$176,833 net of Corporate Air's compensation of \$43,400).

### **Results in Brief:**

While performing our procedures, we determined that Corporate Air did not retain all records required to be maintained by the Agreement, and that there are several deficiencies in Corporate Air's collection process. In addition, Corporate Air did not comply with reporting and fee remittance requirements contained in the Agreement.

Specifically, we found that:

#### **Finding #1:**

- Corporate Air did not retain *Landing Records* and third party landing reports for certain months. These items represent documentary evidence necessary to demonstrate the completeness of reported landings and should have been retained by Corporate Air as required by the Agreement.
- Source documents are typically completed by Corporate Air line staff to achieve operational efficiency and effectiveness without regard to preservation of an audit trail. Consequently, we were unable to view

## ***EXECUTIVE SUMMARY***

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documentary evidence to ensure that all Airport Authority parking charges were assessed when applicable. We also noted inconsistency in the manner in which certain source documents were completed.

- Until sometime in March 2011, Corporate Air deleted landing and parking fees that were deemed to be uncollectible from its accounting system. In March 2011, Corporate Air began using credit memos to document uncollectible amounts and the reasons therefor.

### **Finding #2:**

- A large portion of the outstanding landing and parking fee receivable balance (at least \$14,822, or 38% at April 15, 2011) is attributable to aircraft owned or managed by Corporate Air.
- Inadequate personnel resources have been applied to the collection process.
- The collection procedures being utilized by Corporate Air are inadequate as they do not include procedures specifically designed to address past due balances, including larger balances.
- Corporate Air does not have a process in place to communicate with the Airport Authority regarding landing and parking fees that are deemed to be uncollectible.
- Due to erroneously entered, omitted, and/or deleted data, the accounts receivable aging report generated by Corporate Air's accounting system did not match the receivable balance based on monthly reports submitted to the Airport Authority. We also noted frequent instances of misapplied "customer" payments.
- An adequate supervisory review process is not in place for the collection process.

### **Finding #3:**

- For 2010, 7 of 12 (58%) monthly reports were submitted untimely.

## ***EXECUTIVE SUMMARY***

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- An annual report for 2012 was not submitted within 60 days of fiscal year-end as required by the Agreement.
- For 2010, 9 of 12 (75%) monthly payments were submitted untimely.

### **Recommendations:**

We recommend that Corporate Air's management:

#### **Recommendations for Finding #1:**

- Identify all of the documents that support the monthly and annual reports submitted to the Airport Authority and establish policies and procedures to ensure their retention for the period required by the Agreement.
- Reassign and/or retrain staff assigned to work in the operations booth to help ensure that all required procedures are performed and adequately documented to permit an audit of such records.
- Continue the recently adopted practice of utilizing and retaining credit memos to serve as documentation for landing and parking fees that are written off.

#### **Recommendations for Finding #2:**

- Immediately remit to the Airport Authority all outstanding landing and parking fees attributable to Corporate Air owned or managed aircraft. This amount was at least \$14,822 as of April 15, 2011.
- Train multiple employees to post "customer" payments in the accounting software so that one employee's absence does not delay billing of "customers," processing of payments, or reporting and remittance of fees to the Airport Authority. Another viable option would be to take steps to ensure that the current employee assigned to the billing and payment processing functions does not also routinely serve as a cabin attendant.
- Develop and implement more vigorous collection procedures to address receivables outstanding over 60 or 90 days. These procedures should include collection calls and/or letters, with greater collection efforts applied to larger outstanding balances.

## **EXECUTIVE SUMMARY**

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- Establish a process with the Airport Authority to address landing and parking fee receivable balances that are deemed to be uncollectible.
- Investigate and correct the conditions identified that adversely impact the usefulness of the receivable aging reports generated from the accounting system.
  - Determine why the aging report does not reflect all of the receivables that should be recorded in the accounting system. For items that were deleted from the system, provide the Airport Authority with a detail of the balances that were deemed to be uncollectible. Record any unrecorded items that are deemed to be collectible.
  - Correctly apply misapplied "customer" payments.
- Establish and implement a supervisory review process to help ensure that the collection process is performed properly. This should include steps to ensure that the total receivables per the aging report from the accounting system agrees to the amount that should be reported based on the monthly reports submitted to the Airport Authority, and that "customer" payments are properly applied in the system.

### **Recommendations for Finding #3:**

- Utilize routine supervisory reviews as a tool to ensure that required monthly reports and payments are submitted timely.
- Ensure that an annual report is filed each year within 60 days of fiscal year-end as required by the Agreement.
- Take steps to ensure monthly landing and parking fee payments are made in a timely fashion.

We recommend that the Airport Authority:

- Work with Corporate Air to establish a process for handling landing and parking fees that Corporate Air believes to be uncollectible.



## I. Introduction

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### **Background:**

The Allegheny County Airport Authority (“Airport Authority”) entered into License Agreement #2098 (the “Agreement”) with Corporate Air, LLC (“Corporate Air”) in September 2008. The Agreement provides that Corporate Air, as licensee, will act as an agent of the Airport Authority and collect all landing and parking fees imposed by the Airport Authority at the Allegheny County Airport. In consideration for the tracking and collection of landing and parking fees at the Allegheny County Airport, Corporate Air is entitled to compensation in the form of fixed monthly payments at \$3,500 per month during the first license year. The monthly payments for the service increase by \$100 in the first month of each license year (such that the monthly payments for each month of the fifth license year would be \$3,900). The Agreement has a five year term ending August 2013, but will continue thereafter on a month-to-month basis until terminated by either party.

The landing fees Corporate Air is to collect include those attributable to landings of aircraft owned or managed by Corporate Air and landings of aircraft with blocked tail numbers. These tail numbers must be visually verified upon landing. The landing and parking rates used to determine the fees are published annually by the Airport Authority.

For 2010, helicopters were to be charged a flat rate of \$7.00 per landing. A landing rate of \$1.40 per thousand pounds of landed weight applied to all other aircraft with a gross weight in excess of 5,000 pounds. Other aircraft with a gross weight less than 5,000 pounds were not to be charged a landing fee. Government aircraft and aircraft used for emergency medical transportation (with a patient on board) were also exempt from landing fees.

For 2010, parking rates were to be determined by weight and length of time parked. The first hour of parking was to be free. Thereafter, a rate per day was to be applied. The rate per day for aircraft from 0 to 9,999 pounds was to be \$4.00, the rate per day for aircraft from 10,000 to 24,999 pounds was to be \$5.00, and the rate per day for aircraft in excess of 25,000 pounds was to be \$8.00.

Corporate Air is to deliver to the Airport Authority no later than 15 days after the end of each calendar month all fees collected for the prior month with a report of the total landing fees collected less credit card transaction fees and Corporate Air’s monthly fee. Each monthly report must contain the number, type, weight, owner and operator of each aircraft that landed anywhere at the Allegheny County Airport, and the date and time of each landing. Each

## **I. Introduction**

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monthly report must also be certified by an authorized representative of Corporate Air as being accurate and complete based on the representative's examination of the books and records. Corporate Air is also required to submit an annual report within 60 days of the end of each lease year. The annual report is to be certified by an officer as described above.

For 2010, Corporate Air remitted \$133,433 to the Airport Authority (gross landing and parking fees of \$176,833 net of Corporate Air's compensation of \$43,400).

## **II. Scope and Methodology**

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We applied compliance procedures to License Agreement #2098 between Corporate Air and the Airport Authority to ensure that Corporate Air was in compliance with the scope and terms of the Agreement. Our compliance procedures covered the period from January 1, 2010 through December 31, 2010.

Specifically, we performed the following procedures:

- Interviewed Corporate Air personnel to gain an understanding of the processes used to determine and invoice landing and parking fees, along with the processes used to account for the fees, and to report and remit the fees. We also attempted to identify any internal controls built into the processes.
- Examined records of Corporate Air and the Airport Authority that were relevant to the administration of the Agreement to assess compliance with the Agreement.
  - Evaluated the adequacy of the completion of source documents.
  - Recomputed landing and parking fees to determine whether the fees had been properly calculated.
  - Determined whether landing fees receivable were booked for landings recorded on the source documents.
  - Computed outstanding receivables based on the monthly reports submitted to the Airport Authority and utilized the data to assess the accuracy of Corporate Air's receivable aging report.
  - Analyzed receivable aging reports to evaluate the composition of landing and parking fees receivable.
- Applied procedures to determine whether Corporate Air submitted all required reports to the Airport Authority in a timely fashion.
- Applied procedures to determine whether required payments to the Airport Authority were made timely and in the proper amount.

## **II. Scope and Methodology**

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- Traced information contained in the reports submitted by Corporate Air to the underlying accounting records (test basis).

We performed these procedures during March and April of 2011. We provided a draft copy of this report to Corporate Air for response (see page 20). The Airport Authority has also provided a response (see page 22).

### III. Findings and Recommendations

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#### Finding #1

#### Noncompliance with Record Retention Requirements

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Section 5.04 of Agreement #2098 requires that Corporate Air “during the term of the license and any renewal hereof, and for one year thereafter, permit, upon reasonable notice to the Licensee, inspections and audit by Authority, through its employees, and/or representatives, of all records and books of account”. This section suggests that Corporate Air should have adequate records to support the data provided in the monthly and annual reports submitted to the Airport Authority.

We selected the months of April and December of 2010 to test Corporate Air’s compliance with the established requirements for the tracking and reporting of landings and parking. For both months we were unable to examine the third party reports used by Corporate Air to verify the completeness of the landing data it reported to the Airport Authority because those third party reports were not retained by Corporate Air. We also attempted to gain some assurance with respect to the completeness of the landing and parking data reported in the months of April and December of 2010 by tracing data from the *Landing Records* (source documents used to track landings and parking) prepared during each month to the monthly reports submitted to the Airport Authority. We were unable to complete this procedure for the month of April 2010 because the Landing Records were not retained for that month.

We noted that there are two columns on the Landing Records that relate to the tracking of Airport Authority parking charges. One column is titled “Off CA Ramp” (“CA” stands for Corporate Air) and the other is titled “County Parking Charge”. Aircraft parked on Corporate Air’s leased premises are not subject to Airport Authority parking charges and Corporate Air line staff employees denote such aircraft on the Landing Records by entering an “N” in the “Off CA Ramp” column. For aircraft parked outside of the leased premises, a “Y” is entered in the “Off CA Ramp” column to indicate the potential applicability of Airport Authority parking charges (such charges are imposed on a daily basis, but not until aircraft are parked in excess of one hour). For the month of December 2010, we observed 22 instances where “Y” was entered in the “Off CA Ramp” column. There was no entry made in the corresponding “County Parking Charge” column for 17 of those 22 aircraft (77%). A representation was made to us that the applicability of Airport Authority parking charges is routinely assessed, and that Corporate Air line staff personnel do not

### **III. Findings and Recommendations**

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necessarily make an entry in the “County Parking Charge” column if there are no fees assessed. However, we were unable to verify the assertion that the applicability of Airport Authority parking charges is routinely assessed due to the lack of documentary evidence. We also observed during the performance of our procedures that the completeness and accuracy of the data recorded on the Landing Records in general varied significantly based on the individuals assigned to work in the operations booth.

During our evaluation of Corporate Air’s collection process, we determined that Corporate Air wrote off certain fees and did not retain documentation pertaining to the fees written off (see Finding #2). Consequently, we were unable to determine how much of the discrepancy between the projected and actual outstanding landing and parking fee receivable balances (see Finding #2, *Inadequate Collection Procedures*) was attributable this condition and how much of the discrepancy, if any, was attributable to other factors.

It appears that these conditions occurred because Corporate Air personnel were generally unaware of the need for retention of certain records and also generally completed source and other supporting documents for operating efficiency and effectiveness purposes without regard to preserving an audit trail. The effect of the aforementioned conditions is that Corporate Air is not in compliance with section 5.04 of the Agreement.

#### **Recommendations**

We recommend that management of Corporate Air:

- Identify all of the documents that support the monthly and annual reports submitted to the Airport Authority and establish policies and procedures to ensure their retention for the period required by the Agreement.
- Reassign and/or retrain staff assigned to work in the operations booth to help ensure that all required procedures are performed and adequately documented to permit an audit of such records.
- Continue the recently adopted practice of utilizing and retaining credit memos to serve as documentation for landing and parking fees that are written off.

### **III. Findings and Recommendations**

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#### **Finding #2**

#### **Inadequate Collection Process**

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Section 2.02 A (3) of the Agreement states that Corporate Air is to “collect all landing fees and parking fees and submit them to the Airport Authority with a detailed report. Section 2.02 A (1) of the Agreement indicates that Corporate Air’s landings are also to be included in the collection process.

When we gained an understanding of the collection process in place and performed procedures to test several aspects of the collection process, we identified several conditions that indicate that Corporate Air has not established an adequate process for collection of landing and parking fees at the Allegheny County Airport:

#### ***Utilization of Personnel Resources***

Some landing and parking fees are collected the same day from Corporate Air FBO (Fixed Based Operator) customers via Compass, Corporate Air’s POS (point of sale) system. Fees that are not collected the same day are typically invoiced. We observed that there is only one Corporate Air employee who mails invoices for landing and parking fees and posts collections of parking and landing fees in the accounting system. That employee also serves as a cabin attendant from time to time, which involves periods where the employee is not at the corporate office for days at a time. We were advised that when that individual is performing cabin attendant duties outside of the office, mailing of invoices for landing and parking fees and posting of collections to the accounting software does not occur.

#### ***Inadequate Collection Procedures***

For landing and parking fees not collected the same day from Corporate Air FBO customers, the only collection procedure utilized is the mailing of periodic statements. We were initially advised that invoices were mailed monthly, but it appears that the frequency of mailings has recently decreased due to factors adversely impacting the availability of cabin attendants (see *Utilization of Personnel Resources* above). There is no process in place to apply additional collection efforts, such as making collection calls or sending letters, for receivable balances that have been outstanding longer than 60 or 90 days, including larger balances.

### **III. Findings and Recommendations**

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We obtained the accounts receivable aging report for December 31, 2010 from Corporate Air staff. We noted that the total outstanding landing and parking fees receivable per the aging report, \$56,169, did not match the balance that should have been reflected in the accounting system based on the monthly reports submitted to the Airport Authority of \$62,636, a discrepancy of \$6,467 (see *Lack of Adequate Supervisory Reviews* below). Despite the fact that the aging report we obtained did not include all of the receivables that should have been included, we analyzed the aging report in an attempt to better understand the composition of the receivables. We determined that a large portion of the receivable balance actually reflected in the aging report, \$17,135 (31%), related to Corporate Air's owned or managed aircraft. Another \$16,244 (29%) was due from 10 large corporate "customers," each of which owed more than \$500. Of the total receivables reflected in the aging report, \$28,504 (51%) were over 90 days past due.

We obtained the accounts receivable aging report for April 15, 2011 from Corporate Air staff in an attempt to assess whether any improvement has been made in the collection process. We noted that the total outstanding receivables per the April 15, 2011 aging report of \$39,172 were lower than those reflected in the December 31, 2010 aging report, and that the portion of receivables reflected in the aging report that were over 90 days old of \$12,834 (33%) represented a lower percentage of the total receivable balance. However, we noted that the total receivables per the April 15, 2011 aging report are not inclusive of all of the receivables that should have been reflected in the accounting system based on the monthly reports submitted to the Airport Authority (we were unable to verify the amount due to untimely collections processing – see *Utilization of Personnel Resources*, above). We also determined that Corporate Air's owned/managed aircraft continued to comprise a very large portion of the receivable balance actually reflected in the aging report, \$14,822 (38%), and that \$9,867 (25%) was due from 10 large corporate "customers," each of which owed more than \$500.

We also noted that there is no process in place for documentation and communication with the Airport Authority regarding landing and parking fee receivable balances that are deemed to be uncollectible. We were advised that until sometime in March 2011 balances that were deemed to be uncollectible were simply deleted from the accounting records. We are aware that this is one cause of the discrepancy between receivables per Corporate Air's accounts receivable aging report and the amount that should



### **III. Findings and Recommendations**

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have been reflected therein based on the monthly reports filed with the Airport Authority, but it is likely not the only cause. In March 2011, Corporate Air began to use credit memos to document balances deemed to be uncollectible and the reasons therefore. However, since the landing and parking fees are actually due to the Airport Authority and not Corporate Air, some consensus should be reached with the Airport Authority regarding amounts that Corporate Air deems to be uncollectible.

#### ***Lack of Adequate Supervisory Reviews***

When we reviewed the landing and parking fee receivable aging reports provided by Corporate Air staff, we observed a large number of credit balances contained therein. This condition suggests that a large number of payments have been misapplied (credited to the wrong “customers”) in the accounting software. As we noted earlier, the total outstanding landing and parking fees receivable per the aging reports provided by Corporate Air staff did not match the balance that should have been reflected in the accounting system for those dates based on the monthly reports submitted to the Airport Authority (a discrepancy of \$6,467 at December 31, 2010, the discrepancy at April 15, 2011 was undeterminable). As previously stated, we also noted that until sometime in March 2011 balances that were deemed to be uncollectible were simply deleted from the accounting records. These conditions indicate that there is not an effective supervisory review process in place for the collection process. As a result of these conditions, the receivable aging reports generated from Corporate Air’s accounting system do not provide an accurate representation of the amounts due from many “customers.” Since the receivable aging reports generated from the accounting system are used to invoice those that do not pay the same day via the POS system, these conditions are unacceptable.

It appears that the aforementioned conditions are attributable to a number of factors. The recent application of inadequate personnel resources to the collections process appears to be attributable to personnel shortages in another area (cabin attendants). In general, it appears that the lack of adequate collection procedures and supervisory reviews of the collection process are attributable to lack of management focus on the process. Management has indicated that recent adverse economic conditions have forced changes in priorities and resultant personnel changes have necessitated a reallocation of job duties. However, more effort should be put forth to ensure that acceptable levels of

### **III. Findings and Recommendations**

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accuracy, completeness, and timeliness are achieved with respect to the collection process.

The aforementioned conditions represent noncompliance with Sections 2.02 A (1) and 2.02 A (3) of the Agreement. The lack of adequate collection procedures has also likely impacted the ability to collect certain landing and parking fees due to the Airport Authority as the collection of outstanding balances typically becomes more difficult with the passage of time.

#### **Recommendations**

We recommend that management of Corporate Air:

- Immediately remit to the Airport Authority all outstanding landing and parking fees attributable to Corporate Air owned or managed aircraft. This amount was at least \$14,822 as of April 15, 2011.
- Train multiple employees to post “customer” payments in the accounting software so that one employee’s absence does not delay billing of “customers,” processing of payments, or reporting and remittance of fees to the Airport Authority.
- Develop and implement more vigorous collection procedures to address receivables outstanding over 60 or 90 days. These procedures should include collection calls and/or letters, with greater collection efforts applied to larger outstanding balances.
- Establish a process with the Airport Authority to address landing and parking fee receivable balances that are deemed to be uncollectible.
- Investigate and correct the conditions identified that adversely impact the usefulness of the receivable aging reports generated from the accounting system.
  - Determine why the aging report does not reflect all of the receivables that should be recorded in the accounting system. For items that were deleted from the system, provide the Airport Authority with a detail of the balances that were deemed to be uncollectible. Record any

### **III. Findings and Recommendations**

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unrecorded items that are deemed to be collectible.

- Correctly apply misapplied customer payments.
- Establish and implement a supervisory review process to help ensure that the collection process is performed properly. This should include steps to ensure that the total receivables per the aging report from the accounting system agrees to the amount that should be reported based on the monthly reports submitted to the Airport Authority, and that “customer” payments are properly applied in the system.

We recommend that the Airport Authority:

- Work with Corporate Air to establish a process for handling landing and parking fees that Corporate Air believes to be uncollectible.

### **III. Findings and Recommendations**

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#### **Finding #3**

#### **Noncompliance with Reporting and Remittance Requirements**

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Section 3.02 of the Agreement requires monthly reports prepared by Corporate Air to be submitted, with payment, by the 15<sup>th</sup> of the following month. Section 3.03 of the Agreement indicates that within 60 days after the end of each fiscal year Corporate Air is required to submit an annual report that is certified by an authorized officer as complete and accurate.

For calendar year 2010, the period to which we applied our procedures, Corporate Air made 7 of 12 (58%) report submissions untimely. The average days late for report submissions was 16 days in 2010 (ranging from 3 to 35 days past due). For calendar year 2010, Corporate Air also made 9 of 12 (75%) payments untimely. The average days late for payments was 21 days in 2010 (ranging from 1 to 46 days past due). In addition, the annual report for 2010 was not submitted within 60 days of the end of the fiscal year as required (Corporate Air's fiscal year end was August 31, 2010).

It appears that these conditions may have been caused by a lack of awareness regarding the report submission and payment provisions contained in the Agreement. We were advised that management tries to liquidate its monthly obligation for payment of landing and parking fees 45 days from the end of each month. The effect of this condition is that Corporate Air is not in compliance with Sections 3.02 and 3.03 of the Agreement. While the Agreement does not provide for the imposition of a monetary penalty unless payments are more than 30 days past due, the landing and parking fees are due by the 15<sup>th</sup> day of the following month. Corporate Air should be taking steps to ensure that reports are submitted and payments are made in a timely fashion.

#### **Recommendations**

We recommend that management of Corporate Air:

- Utilize routine supervisory reviews as a tool to ensure that required monthly reports and payments are submitted timely.

### **III. Findings and Recommendations**

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- Ensure that an annual report is submitted to the Airport Authority each year within 60 days of fiscal year-end as required by the Agreement.
- Take steps to ensure monthly landing and parking fee payments are made to the Airport Authority in a timely fashion.



May 24, 2011

Mr. Mark P. Flaherty  
Allegheny County Controller  
436 Grant Street  
Room 104  
Pittsburgh, PA 15219

RE: Response to Compliance Report

Dear Mr. Flaherty:

The purpose of this letter is to provide a response to the Draft of the Compliance Report dated May 19, 2011. Please be advised of the following information as to the findings included in the report.

The Compliance Report provided to Corporate Air identifies certain weaknesses in regard to the process of collecting and remitting landing and parking fees to the Authority. The weaknesses identified and our response to such weaknesses are listed below.

1. Retention of Records: The auditors identified documentary evidence that had not been consistently retained in our files which would have provided a complete audit trail to the auditors.

Response: The retention of documents was not specifically required in the License Agreement. However, based on the Compliance Report and discussions with the Authority and the County Auditors, Corporate Air intends to retain all documentary evidence for a period of seven years to facilitate future audits.

2. Corporate Air Deletion of Uncollectable Landing and Parking Fees: A number of landing and parking invoices had been written off by Corporate Air based on our inability to collect the amount billed. Although we had sent an original invoice and monthly statements, the receivable remained outstanding.

Response: Our process should have included input from appropriate personnel with the Airport Authority. Corporate Air will provide an accounts receivable aging report to the Authority on a monthly basis. At the end of each year, sooner if advisable, this receivable report will be reviewed by both parties, and the Authority will determine whether items will be written off or a more aggressive collection effort will be pursued.

3. Inadequate Personnel Backup: The primary responsibility to invoice and collect the landing and parking fees has been assigned to a Customer Service Representative. This person also provides the company with services as a flight attendant on an occasional basis. Unfortunately, during the period of the audit, we had two flight attendants unavailable due to a maternity leave and

Mr. Mark P. Flaherty  
May 24, 2011  
Page 2.

an injury. As a result, the person responsible for the billing of the landing and parking fees was required for flight attendant duties and was unavailable to the auditors.

Response: Corporate Air will train each of the Customer Service Representatives at the front desk to bill and collect the landing and parking fees. The process will identify the person primarily responsible yet will include a minimum of two others to provide backup support.

4. The Timely Payment and Submission of Monthly Reports: The auditors have determined that the required monthly reports and payments were not made on a timely basis.

Response: Corporate Air will compile the reports on a more consistent basis so they will be filed in a timely manner. In addition, the collection of fees and the payment of the fees to the Authority will be done on a more-timely basis.

If you have any questions concerning this letter or the information in this letter, please do not hesitate to contact me.

Sincerely,



Philip B. Ehrman  
Vice President

cpm

2011 MAY 25 AM 11:09  
RECEIVED - 12 -  
COUNTY CONTROLLER



## PITTSBURGH INTERNATIONAL AIRPORT

Allegheny County Airport Authority  
Landside Terminal, 4th Floor Mezz.  
P.O. Box 12370  
Pittsburgh, PA 15231-0370

412-472-3500

*www - FlyPittsburgh - com*

May 31, 2011

Mr. Mark Patrick Flaherty, Controller  
Allegheny County Controller's Office  
436 Grant Street  
Room 219 Courthouse  
Pittsburgh, PA 15219

**SUBJECT: Compliance Procedures Applied to License Agreement #2098  
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Authority for the Period January 1, 2010 through December 31, 2010**

Dear Mr. Flaherty:

ACAA Management has reviewed the subject compliance audit report and concurs with the three Findings and Recommendations of the audit.

Please finalize and release this audit report.

Sincerely,

A handwritten signature in cursive script that reads "Stephen W. Robinson".

Stephen W. Robinson  
Controller

Cc: James R. Gill, CFO & CAO