



Financial Performance Audit Report

Atlantic Aviation, Inc.

The Internal Audit Department of the Rhode Island Airport Corporation ("RIAC") presents its report concerning the financial performance audit of RIAC's FBO, Atlantic Aviation, Inc. ("Atlantic") for the period July 1, 2023, through June 30, 2024, as follows:

Background

Atlantic entered into an agreement on or about November 23, 2021, to merge with LYNX FBO Providence, LLC, who on December 20, 2020, had purchased the assets and leasehold interest from North Star Aviation Inc., then current FBO at PVD under the agreement with RIAC dated December 28, 2007 ("Agreement"). For purposes of the fixed base operations at PVD, LYNX's merger with Atlantic was seamless, and business continued without interruption under the terms and conditions of the Agreement, and subsequent amendments.

The Agreement contained various revenue provisions for servicing General Aviation aircraft. These activities include fuel sales, landing fees, building rent, hangar rent, and ground rent. Atlantic also fuels commercial aircraft through use of the PVD fuel farm under a separate agreement.

Objectives and Scope

The objectives of this audit were to determine if Atlantic met the provisions of the Agreement and to assess the accuracy of their self-reporting. To meet these objectives, our audit focused on key provisions of the Agreement, and monthly submissions furnished by Atlantic. The audit included testing and analysis to assess whether reports were complete and accurate relative to the underlying operating activities. Our testing also included identifying whether any significant discrepancies (over or under) in reporting or departures from other contractual terms existed. If such discrepancies were identified, this report would include the adjustments to the fee(s) payable to RIAC and our recommendations to improve record keeping and reporting processes of Atlantic relative to its ability to comply with Agreement provisions.

The scope of our audit was limited to the following:

- Invoices and reports related to fuel purchases for both Jet A, and Avgas for GA aircraft.
- Records and reports supporting the aircraft landings and fees collected and remitted.
- Records, maps, and calculations related to lease space for buildings and ground rent.
- Reports for fuel dispensed to commercial aircraft through the RIAC Fuel Facility.
- Documents and reports related to other important provisions within the Agreement.

This audit and the resulting report relate only to the fees reported by Atlantic and related payment terms as noted in the Agreement, as well as other key provisions selected for audit. The audit does not extend to any other performance or financial audits or other financial results of the Airport and Atlantic or its related companies, except for the fees paid to RIAC and the Into-Plane fueling operations by Atlantic at the RIAC Fuel Facility.

Testing and Procedures

To meet the objectives of our audit, we performed the following procedures:

- Obtained the December 2007 Agreement and amendments and identified all revenue drivers and other key provisions.
- Selected June 2024 for testing for the following areas:
 - Fuel flowage fees for GA aircraft for both Jet A and Avgas.
 - Fuel flowage fees for Commercial aircraft dispensed at the PVD fuel farm.
 - Landing fees.
 - Building and office rent.
 - Hangar rents.
 - Ground rents for tie-downs.
 - Insurance requirements.
- Obtained the following reports and documents to confirm accuracy of recording:
 - Monthly Reports submitted by Atlantic for FY 2024.
 - Company Revenue Analysis by Accounting Period for FY 2024.
 - GL Account Revenue Analysis by Agreement for FY 2024.
 - Payment history report with dates and amounts of payments received.
 - All rates and charges (landing fees, ground rent, building rent, etc.)
 - Maps of GA areas noting tie downs, hangars, buildings, fuel tanks, etc.
 - Insurance certificates noting coverage and verification of paid premiums.
- Extended the testing of invoices to all of FY 2024 and through CY 2025 due to calculation errors by Atlantic.
- Recalculated all revenues and reconciled underlying invoices and/or other documents including RIAC accounting reports.

- Reviewed the timeliness of payments and reports by Atlantic and compared to the Agreement provisions.
- Performed analytical procedures to insure revenue trending is normal.
- Confirmed that Atlantic is compliant with insurance provisions and certificates are on file.
- Discussed with RIAC staff the audit scope, testing procedures, and findings and recommendations.

We conducted this financial performance audit in accordance with generally accepted government auditing standards set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

Audit Results Atlantic Aviation

Based on the results of our testing for the period July 1, 2023, through June 30, 2024, all amounts were properly calculated and reported, and payments were accurate and timely with the following exceptions.

- **General Aviation Fuel Flowage Fees** were calculated incorrectly by Atlantic for the period January through September 2024. RIAC discovered the error and notified Atlantic who forwarded revised Monthly Revenue reports in November 2024. The under payments which totaled approximately \$240,000, was received in December 2024.

As part of the submission process of the Monthly Report to RIAC, it is expected that an Atlantic employee at the manager level or higher review the report for accuracy prior to submission to RIAC. This can help identify errors and minimize unnecessary corrective work for both RIAC and Atlantic.

- **Landing fees** for February and March of 2024 were reduced by \$7,417 by Atlantic in a subsequent period and Atlantic did not provide any updated support. Also, a comparison of an external report of landing fees from the PASSUR Landing Fee Module to the billing support from Atlantic in the Monthly Report for December 2024, noted several landings which were not recorded on the monthly report.

Anytime fees or operations are adjusted, Atlantic needs to provide updated support as soon as practical, without being requested by RIAC.

Atlantic needs to record all billable landings and should utilize some form of reporting system such as PASSUR, or similar system that can provide corroborating support for the landing fees submitted to RIAC.

- The **insurance certificate** for pollution liability was not on file and had not been provided to RIAC in a timely manner. The certificate for the policy which expired on September 1, 2024, was not provided to RIAC until January 2025 after an additional request was made by RIAC during the audit. Also, in the policy dated 3/13/24 it was stated that RIAC and the State of RI is provided waiver of subrogation and named as additional insured for pollution only. In the subsequent policy a change was correctly made to exclude this limitation.

Atlantic is relying on their insurance broker to administer and disseminate new insurance certificates to RIAC, however, it is Atlantic's responsibility to ensure that all renewals are provided to RIAC in a timely manner according to the terms of the agreement. The Agreement states "Renewal Certificates of Insurance shall be provided to RIAC ten (10) days prior to expiration of current coverages".

Atlantic should pay careful attention to changes in the provisions of its insurance policies such as the limitation of the waiver of subrogation and additional insured as mentioned above and adopt a more thorough review process for these important documents.

Atlantic's fees reported for FY 2024

- Fuel Flowage Fee for GA Aircraft – \$516,280.
- Fuel Flowage Fee for Commercial Aircraft – \$289,216.
- Landing fees - \$566,408.
- Ground rent, hangar, tie-down - \$298,118.

Audit Results RIAC

Base on the findings noted in this report, there are some recommendations noted below for RIAC.

- **General Aviation Fuel Flowage Fees**

RIAC should confirm in a timely manner that the calculations for each Monthly Revenue report received from Atlantic is accurate and agrees to the supporting documentation.

RIAC should also consider applying interest charges for the underpayments of the fuel flowage fee calculations as allowed for in the Agreement.

- **Landing Fees**

RIAC should consider utilizing an aircraft landing software that would provide information on the GA aircraft managed by the FBO, as this would provide a form of independent verification of the landing fees received each month.

Conclusion

Except for the specific findings noted in this report, we conclude that Atlantic was in compliance with both the reporting and payment provisions with its Agreement with RIAC.

This report is intended solely for the information and use of RIAC and Atlantic and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Dansereau, CIA, CMA, CPA,

Internal Auditor

February 27, 2025