

ALJ/KOT/sid

Mailed

Decision 97-08-066 August 1, 1997

AUG 04 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into the Passenger Stage Corporation Operations of Prime Time Shuttle International, Inc.

Investigation 93-05-004
(Filed May 7, 1993)

Order Instituting Investigation and Order to Show Cause Why Prime Time Shuttle International, Inc.'s Certificate of Public Convenience and Necessity should not be suspended or revoked.

Investigation 95-07-001
(Filed July 6, 1995)

ORIGINAL

OPINION

In an earlier decision in this proceeding, Decision (D.) 96-08-034, we revoked the certificate of public convenience and necessity (CPCN) of the respondent passenger stage corporation, Prime Time Shuttle International, Inc. (Prime Time). However, in the same decision, we suspended the revocation for a probationary period, during which Prime Time was to develop a satisfactory compliance plan and demonstrate rehabilitation by operating in strict compliance with D.96-08-034 and the terms of the plan. Prime Time has failed to comply with D.96-08-034, and is thus in violation of its probation. Therefore, in today's decision, we terminate the probation and direct the previously-ordered revocation to take effect.

Background

We have had two major investigations of Prime Time. The 1993 investigation ended with a settlement between Commission staff and Prime Time, under which Prime Time, among other things, agreed to pay a substantial fine and modify its operations, particularly with respect to its relationship with the drivers of its vans.

As detailed in D.96-08-034, disputes persisted between Commission staff and Prime Time over whether Prime Time's relationship with its drivers was consistent with the settlement, with our regulations governing passenger stage corporations (General

Order 158-A), and with the traffic and safety rules of local airports (especially Los Angeles International Airport) served by Prime Time. Many other concerns were also involved, including vehicle registration, length of drivers' shifts, statutory provisions regarding calculation of individual fares, and the Commission's financial reporting requirements.

These ongoing disputes culminated in the 1995 investigation, in which we also reopened and consolidated the 1993 investigation. We issued D.96-08-034 after full evidentiary hearings and briefing of all issues.

On several important points of law, D.96-08-034 sustained Prime Time's interpretation. However, we also found many violations of our own and airport rules. We found these violations to be of such gravity as to require strong action on our part. We revoked Prime Time's CPCN but carefully set forth a way for Prime Time to rehabilitate itself, and we suspended the revocation for so long as Prime Time complied with the terms of its probation. As discussed below, Prime Time has failed to submit an appropriate compliance plan and has failed to cooperate with the audit required by D.96-08-034, even after notice to Prime Time that such failure appeared to violate its probation and constitute grounds for allowing the revocation of its CPCN to take effect.

Probation Violation

On April 17, 1997, the assigned Commissioner and the assigned Administrative Law Judge jointly issued a ruling putting Prime Time on notice of a probation violation. The Joint Ruling is reprinted in full in Attachment A to today's decision. In brief, the Joint Ruling noted that, under Ordering Paragraph 6.d of D.96-08-034, two required elements of Prime Time's compliance plan were: (1) completion of a financial filings reconciliation audit, and (2) development of reconciliation procedures (so as to minimize the need for future audits). The Joint Ruling further noted that, as reported on April 14, 1997, by the Commission's Accounting & Finance Branch, Prime Time had not provided access to its general ledger and had not provided proposals for reconciliation procedures.

The Joint Ruling concluded that Prime Time would have to justify continuing the suspension of the revocation of its CPCN. The Joint Ruling required Prime Time to provide one of the following:

- "a. A demonstration that Prime Time is in compliance with Ordering Paragraph 6.d of D.96-08-034; or
- "b. A complete and detailed agreement entered into with the Accounting & Finance Branch for bringing Prime Time into compliance with Ordering Paragraph 6.d of D.96-08-034. Such agreement shall provide that Prime Time shall complete, to the satisfaction of the Accounting & Finance Branch, all aspects of the financial filings reconciliation audit no later than July 1, 1997, or shall cease all operations under Prime Time's CPCN as of that date."

In response, Prime Time entered into an agreement with the Accounting & Finance Branch. The agreement is reproduced in Attachment B to today's decision.

On July 1, 1997, the Accounting & Finance Branch filed and served an "Update" to its April 14 report. The Update and its three appendices are reproduced in Attachment C to today's decision.

The Update concludes that Prime Time still has not complied with Ordering Paragraph 6.d of D.96-08-034. The Update notes that "Prime Time remains deficient on the balance sheet schedule. In fact, Prime Time left out that page in its annual report filing." As a result of this deficiency, the Commission auditors are still unable to "[r]econcile the balance sheets to the 1992-95 annual reports, trial balances, and income tax returns." Update at page 4.

Discussion

D.96-08-034, by virtue of its revocation of Prime Time's CPCN, already reaches the conclusion that Prime Time is not fit to hold operating authority from this Commission. The only question for us now is whether there is any reason for continuing the suspension of that revocation. We conclude that no such reason exists.

Prime Time's erratic financial reporting had been a concern even in the 1993 investigation. The settlement of that investigation included a requirement of timely filings.

In the 1995 investigation, Commission staff noted that Prime Time's annual reports were filed on a fiscal year basis rather than a calendar year basis (as required by our rules), and that the annual reports did not appear to match the financial data contained in Prime Time's quarterly reports. Other financial data appeared inconsistent with Prime Time's representations concerning the way it was now conducting its operations. For all these reasons, we ordered an audit and the development of reconciliation procedures to limit the need for future audits.

Prime Time has had notice of these concerns for more than a year, and even before the close of hearings it was advised by the assigned Administrative Law Judge of the need to reconcile its annual and quarterly reports. That Prime Time still has not complied with the audit requirements of D.96-08-034 is a mark of willful defiance or utter indifference to its responsibilities as a public utility carrier of passengers. Given the background of these investigations, we conclude that further efforts to rehabilitate this carrier would be unproductive, and a disservice both to the public at large and to the overwhelming majority of carriers who strive to operate within the letter and spirit of the law.

By letter dated July 25, 1997, Prime Time Chairman John E. Kindt, Jr., informed the assigned Commissioner that "we relinquish our Passenger Stage Authority (PSC 7039), effective immediately." We already revoked its CPCN in D.96-08-034, but suspended the revocation pending remedial action. Since that decision, Prime Time has operated on probation, which we hoped would end with its rehabilitation. Prime Time has violated the probation, so the revocation must take effect.

In effect, we are accepting the relinquishment. However, Prime Time does not leave its operations in good standing. It ceases to operate, not because it chooses to do so, but because it must. Acceptance of Prime Time's relinquishment does not make our simultaneous revocation moot. Prime Time may not rescind its relinquishment and continue to operate under its former CPCN. Should Prime Time (or its successor, or another entity controlled by the people that have controlled or operated Prime Time) seek a CPCN or other operating authority in the future, we will consider the relevant factors from this case in making a determination of fitness.

Finally, should Prime Time attempt to operate as a passenger stage carrier without a CPCN, we will take appropriate enforcement action.

Findings of Fact

1. Prime Time's CPCN was revoked in D.96-08-034, but the revocation was suspended for a probationary period. One of the conditions of probation was that Prime Time successfully complete a financial filings reconciliation audit. Another condition was that Prime Time develop reconciliation procedures to minimize the need for future audits.

2. Prime Time's Draft Final Compliance Plan (filed October 9, 1996) conceded that Prime Time had not completed the reconciliation audit.

3. By Joint Ruling issued on April 17, 1997, the assigned Commissioner and Administrative Law Judge put Prime Time on notice that it was in violation of its probation by virtue of its failure to complete the reconciliation audit.

4. In response to the Joint Ruling, Prime Time entered into an agreement with the Commission's Accounting & Finance Branch to complete, to the satisfaction of the Branch, all aspects of the reconciliation audit no later than July 1, 1997. Failing such completion, Prime Time committed to cease operations under its CPCN as of that date.

5. Prime Time did not supply all information required under its agreement with the Accounting & Finance Branch.

6. Prime Time is in continuing violation of its probation.

Conclusions of Law

1. The revocation of Prime Time's CPCN, which the Commission ordered in D.96-08-034, should be allowed to take effect.

2. This order should be made effective immediately because of Prime Time's demonstrated unfitness to hold operating authority and Prime Time's continuing violation of its probation.

3. The Rail Safety/Carriers Division should revoke Prime Time's "PSC" number and should take appropriate action to ensure that all operations under Prime Time's

CPCN stop immediately, and that Prime Time not continue to operate as a passenger stage carrier without a CPCN.

O R D E R

IT IS ORDERED that:

1. The probation of Prime Time Shuttle International, Inc. (Prime Time) is terminated, and Prime Time's certificate of public convenience and necessity (CPCN) is revoked.
2. On the effective date of this decision, Prime Time shall cease all operations under its CPCN.
3. Prime Time shall pay all fines assessed in Ordering Paragraphs 1 and 3 of Decision 96-08-034, per the schedule in those ordering paragraphs.
4. The Rail Safety/Carriers Division shall immediately revoke Prime Time's "PSC" number and shall take appropriate action to ensure that all operations under Prime Time's CPCN stop immediately, and that Prime Time will not continue to operate as a passenger stage carrier without a CPCN.

This order closes this proceeding and shall be effective immediately.

Dated August 1, 1997, at San Francisco, California.

P. GREGORY CONLON
President
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

I dissent.

/s/ JESSIE J. KNIGHT, JR.
Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into the Passenger Stage Corporation Operations of Prime Time Shuttle International, Inc.

Investigation 93-05-004
(Filed May 7, 1993)

Order Instituting Investigation and Order to Show Cause why Prime Time Shuttle International, Inc.'s Certificate of Public Convenience and Necessity should not be suspended or revoked.

Investigation 95-07-001
(Filed July 6, 1995)

**JOINT RULING OF ASSIGNED COMMISSIONER
AND ASSIGNED ADMINISTRATIVE LAW JUDGE**

The Commission has ordered revocation of the certificate of public convenience and necessity (CPCN) of the respondent, Prime Time Shuttle International, Inc. (Prime Time). However, the Commission has suspended the revocation for a period of probation, and has provided for cancellation of the revocation upon Prime Time's successful of the probation pursuant to a compliance plan, to be developed by Prime Time and subject to Commission approval. See Ordering Paragraphs 2-7 of Decision (D.) 96-08-034, as corrected by D.96-08-044 and modified and affirmed by D.96-10-077. One element of the compliance plan was to be the completion of a financial filings reconciliation audit and development of reconciliation procedures. See D.96-08-034, mimeo. p. 100 (Ordering Paragraph 6.d).

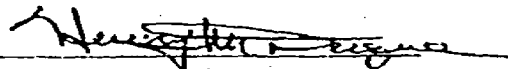
Prime Time's Draft Final Compliance Plan (filed October 9, 1996), at page 3, paragraph 5, indicates that Prime Time "is still working...to complete the reconciliation audit." On April 14, 1997, the Commission's Accounting & Finance Branch filed its report entitled "Results of Financial Reconciliation Audit." This report indicates that the Branch was unable to complete the audit. According to the report, Prime Time has not provided access to its general ledger and has not provided proposals for reconciliation procedures, as required under D.96-08-034.

Having reviewed Prime Time's Draft Final Compliance Plan and the Accounting & Finance Branch's report, we conclude that Prime Time has not complied with Ordering Paragraph 6.d of D.96-08-034, and that Prime Time is in violation of its probation. Under the terms of D.96-08-034, absent a showing of some compelling basis for continuing the suspension of the revocation of Prime Time's CPCN, the revocation should go into effect immediately.

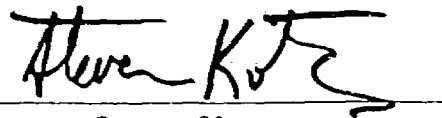
Therefore, IT IS ORDERED that:

1. No later than May 1, 1997, Prime Time shall file and serve its response to this order, in which response Prime Time shall show cause why its CPCN should not be revoked for failure to comply with Ordering Paragraph 6.d of D.96-08-034.
2. Such showing of good cause shall consist of one of the following:
 - a. A demonstration that Prime Time is in compliance with Ordering Paragraph 6.d of D.96-08-034; or
 - b. A complete and detailed agreement entered into with the Accounting & Finance Branch for bringing Prime Time into compliance with Ordering Paragraph 6.d of D.96-08-034. Such agreement shall provide that Prime Time shall complete, to the satisfaction of the Accounting & Finance Branch, all aspects of the financial filings reconciliation audit no later than July 1, 1997, or shall cease all operations under Prime Time's CPCN as of that date.

Dated April 17, 1997, at San Francisco, California.



Henry M. Duque
Assigned Commissioner



Steven Kotz
Assigned Administrative Law Judge

(END OF ATTACHMENT A)

BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Investigation into the Passenger)	1. 93-05-004
Stage Corporation Operations of Prime Time Shuttle)	(Filed May 7, 1993)
International, Inc.)	

Order Instituting Investigation and Order to Show)	1. 95-07-001
Cause why Prime Time Shuttle International, Inc.'s)	(Filed July 6, 1995)
Certificate of Public Convenience and Necessity)	
should not be suspended or revoked.)	

PRIME TIME SHUTTLE INTERNATIONAL, INC.

RESPONSE TO JOINT RULING OF ASSIGNED COMMISSIONER
AND ASSIGNED ADMINISTRATIVE LAW JUDGE

Dated: April 29, 1997

John E. Kindt, Jr.
Chairman
Prime Time Shuttle Int'l, Inc.
7955 San Fernando Road
Sun Valley, CA 91352

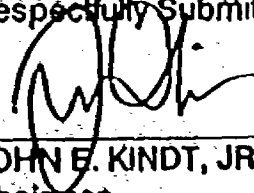
Exhibit B.

Copies of this document have been served on all parties of record.

Dated: April 29, 1997

Respectfully Submitted,

By



JOHN E. KINDT, JR.
Chairman
Prime Time Shuttle International, Inc.
7955 San Fernando Road
Sun Valley, CA 91352

I.93-05-004, I.95-07-001

ATTACHMENT B
Page 4 of 7

EXHIBIT A

AGREEMENT

Prime Time Shuttle International, Inc. ("PRIME TIME") shall complete, to the satisfaction of the Accounting & Finance Branch ("A & F BRANCH"), all aspects of the financial filings reconciliation audit no later than July 1, 1997, or shall cease all operations under PRIME TIME's CPCN as of that date.

The following information shall be provided by PRIME TIME to the A & F BRANCH beginning on May 21, at 10.00 A.M.:

1. Working papers to tie in the balance sheet account numbers from the general ledger to the annual report.
2. Verification of the revenue and expense amounts from the annual reports and working papers numbers to PRIME TIME's general ledgers. Documentary support on where PRIME TIME obtained the numbers to determine revenues from owner-operators will also be provided.
3. The person who prepared the working papers (e.g. PUOTBREG, PUOTBRE4) will be available to explain notations such as "reconciled" and "unreconciled differences".
4. A written explanation and worksheets supporting calculations on "net revenue adjustment to actual gross fares" and "offset net revenue adjustments to actual gross fares for payment to subcarriers".
5. A revised 1995 annual report to the Commission to reflect data on calendar year and not fiscal year. Working papers/documentation to support how the numbers were derived from general ledger and reported on all schedules contained in the annual report.

The above information will be provided to Zee Wong of the A & F BRANCH in a manner convenient and acceptable to her, which may include providing the documentation to her in her San Francisco office, and meeting with her there. PRIME TIME will also answer any additional questions she may have related to the reconciliation audit.

At the conclusion of the audit, PRIME TIME's accountant will provide a detailed compliance plan outlining the procedures for ease of reconciliation of PRIME TIME's financial filings in the future, satisfactory to her.

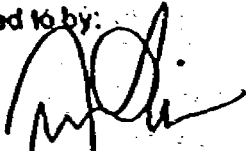
Zee Wong

I.93-05-004, I.95-07-001

ATTACHMENT B
Page 5 of 7


PRIME TIME will make every effort to cooperate with Zee Wong, and the A & F BRANCH, to complete the above in a reasonable and satisfactory fashion, but in no case shall this be later than July 1, 1997, subject to further order from the assigned ALJ and/or Commissioner.

Agreed to by:



JOHN E. KINDT, JR.
Chairman
Prime Time Shuttle Int'l, Inc.

Approved by:

 4/29/97

ZEE WONG
Financial Examiner
Accounting & Finance Branch

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

EXHIBIT B

April 28, 1997

VIA FAX (805) 295-7139

John E. Kindt, President
Prime Time Shuttle International, Inc.
25115 Avenue Stanford, Suite 230
Valencia, CA 91355

Dear Mr. Kindt:

This is in response to our telephone conversation today. As stated in the Joint Ruling, you are to have a detailed and complete agreement with the Accounting and Finance Branch. There are still much information that needs to be provided by your company.

Your agreement needs to be detailed and complete. The agreement needs to address when you will provide a detailed compliance plan which outlines the procedures for ease of reconciliation of your financial filings in the future.

Secondly, I need the following information to complete the financial filings reconciliation audit:

For years 1992 to 1995:

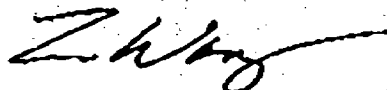
1. I need working papers to tie in the balance sheet account numbers from the general ledger to the annual report.
2. I need to verify the revenue and expense amounts from the annual reports and working papers numbers to your general ledgers. You need to provide documentary support on where you obtained the numbers to determine revenues from owner-operators.
3. You need to have a person or persons who prepared the working papers (e.g. PUCTBREC, PUCTBRE4) to explain entries. You need to have same person available to explain notations such as "reconciled" and "unreconciled differences".
4. In addition, you need to provide written explanation and worksheets supporting calculations on "Net revenue adjustment to actual gross fares" and "Offset net revenue adj to actual gross fares for payment to subcarriers"
5. You need to revise your 1995 annual report to the Commission to reflect data on calendar year and not fiscal year. You need to provide working papers/documentation to support how the numbers were derived from general ledger and reported on all schedules contained in the annual report.

Your signed agreement needs to state what you are agreeing to do and when you are going to complete it.

As I stated in our telephone conversation, I have other assignments that are taking up my time including being out of town. I am willing to allocate some time to accommodate you. I am available for 2-3 days during the week of May 19, 1997. You need to let me know the time and date as soon as possible.

If you have any questions please contact me at (415) 703-2279. I will be in my office until Tuesday, April 29, 1997.

Sincerely,



Zee Wong, Financial Examiner
Accounting and Finance Branch

(END OF ATTACHMENT B)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation into)
the Passenger Stage Corporation)
Operations of Prime Time Shuttle)
International, Inc.)
_____)

Investigation 93-05-004
(Filed May 7, 1993)

Order Instituting Investigation)
and Order to Show Cause why Prime)
Time Shuttle International, Inc.'s)
certificate of Public Convenience)
and Necessity should not be)
suspended or revoked.)
_____)

Investigation 95-07-001
(Filed July 6, 1995)

ACCOUNTING & FINANCE BRANCH'S
UPDATE ON
RESULTS OF FINANCIAL RECONCILIATION AUDIT
IN COMPLIANCE WITH
DECISION 96-08-034 ORDERING AN AUDIT
OF PRIME TIME SHUTTLE INTERNATIONAL, INC.
DATED AUGUST 8, 1996

California Public Utilities Commission
Commission Advisory & Compliance Division
Accounting & Finance Branch
505 Van Ness Avenue
San Francisco, CA 94102

July 1, 1997

Zee Wong, Financial Examiner

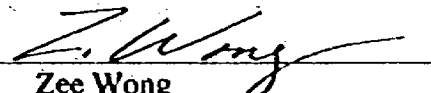
The undersigned has been authorized to sign this document.

Dated: July 1, 1997

Respectfully submitted,

ACCOUNTING & FINANCE BRANCH

By



Zee Wong
Financial Examiner

CALIFORNIA PUBLIC UTILITIES COMMISSION
Accounting and Finance Branch

UPDATE ON
RESULTS OF FINANCIAL RECONCILIATION AUDIT
OF
PRIME TIME SHUTTLE INTERNATIONAL, INC.

By
Zee Wong

July 1, 1997
San Francisco

**FINANCIAL RECONCILIATION AUDIT OF
PRIME TIME SHUTTLE INTERNATIONAL, INC.'S RECORDS**Summary

Prime Time Shuttle International, Inc., (Prime Time) has not complied with Ordering Paragraph 6.d. of Decision (D.) 96-08-034 (Ordering Paragraph). Prime Time's response to its agreement with staff was incomplete. Therefore, staff was unable to complete the financial reconciliation audit. Furthermore, Prime Time did not provide a compliance plan outlining procedures for ease of reconciliation in the future.

Background

The staff of the Accounting and Finance Branch (staff) filed its report, "Results of Financial Reconciliation Audit", on April 14, 1997. Staff had reported that Prime Time did not respond to staff's repeated telephone calls and correspondence; therefore, staff's audit work was limited to the information available in its files. Staff had concluded Prime Time did not comply with the Ordering Paragraph.

On April 17, 1997, the Commission issued a joint ruling by the assigned Commissioner and Administrative Law Judge (Joint Ruling) ordering Prime Time to file no later than May 1, 1997, why its certificate of public convenience and necessity (CPCN) should not be revoked for failure to comply with the Ordering Paragraph as indicated in staff's report.

The Joint Ruling gave Prime Time two options to support showing of good cause why its CPCN should not be revoked. Prime Time selected the following:

"A complete and detailed agreement entered into with the Accounting & Finance Branch for bringing Prime Time into compliance with Ordering Paragraph 6.d. of D.96-08-034. Such agreement shall provide that Prime Time shall complete, to the satisfaction of the Accounting and Finance Branch, all aspects of the financial filings reconciliation audit no later than July 1, 1997, or shall cease all operations under Prime Time's CPCN as of that date."

On April 28, 1997, Prime Time contacted staff to develop a detailed agreement. Staff furnished Prime Time a list of additional information needed to complete the audit (Appendix A). Based on this, Prime Time filed its agreement with the Commission on April 29, 1997 (Appendix B). The agreement stated that Prime Time would provide additional information to staff on May 21, 1997.

On May 21, 1997, staff met with Prime Time's accountant to discuss the contents of the agreement. Staff received some of the documentation but not all items listed in the agreement.

Since Prime Time's accountant indicated he only recently received a copy of the agreement, staff extended the deadline to June 9, 1997, for him to provide the additional documentation.

On June 9, 1997, Prime Time again only furnished partial information. Staff discussed with Prime Time the deficiencies of the response. Staff gave Prime Time a final deadline of June 16, 1997 (Appendix C). On June 16, 1997, Prime Time had only complied with part of its agreement.

Staff's report is based on information received up to June 16, 1997.

Scope of the Examination

Staff was able to review only the documentation it had received up to June 16, 1997.

These were the additional procedures staff was able to complete that previously could not be performed due to lack of cooperation from Prime Time:

- (1) Verified the trial balances to the general ledgers.
- (2) Obtained Prime Time's explanation to following items:
 - (a) Various notations including reconciled and unreconciled differences.
 - (b) Reclassification of amounts.
 - (c) Apparent double reporting of revenues.
- (3) Interviewed Prime Time on how it translated revenues from net of owner operator revenues to gross revenues.
- (4) Partially reconciled the 1995 Annual Report to Prime Time's records.

Results of Examination

Prime Time provided staff its general ledgers to verify the accuracy of the amounts on the working papers that supported the annual reports. Staff was able to trace the numbers for only the income statement accounts.

Prime Time still could not provide documentation to support the balance sheet and other schedules in the annual report. Prime Time had explained to staff that because it is on a fiscal year ending September 30 period, it is difficult to report on a calendar year ending December 31 period. The difficulty stemmed from the accounting adjustments that normally were made at year-end. Since the Commission required annual reports on a calendar year basis, Prime Time would have to make "paper adjustments" because Prime Time would not incorporate them in its accounting records.

Despite Prime Time's explanations, it still could not provide detailed working papers to provide a clear audit trail from the September 30 balance account balances to the reported amounts in the annual reports to the Commission. Staff had advised Prime Time of this deficiency on April 14, April 28, May 21 and June 9. Prime Time finally informed staff that "no workpaper reconciliation was prepared."

In its June 16th response to staff, Prime Time stated, "If in fact the PUC feels it is absolutely necessary that PTSI complete a balance sheet reconciliation workpaper," the shortest time-frame to complete it would be approximately one week. Staff has been reviewing information from Prime Time piece-meal, has extended the deadlines, and has given Prime Time adequate notice of this deficiency. Prime Time is still deficient in complying with staff's request for the reconciliation of balance sheet accounts.

Staff is satisfied with Prime Time's explanation on staff's questions of notations on the working papers. Staff also is satisfied with Prime Time's explanation on the relationship of revenues from net of owner operators to gross revenues.

Prime Time resubmitted its 1995 Annual Report based on the Commission-required year ending December 31 period format. Staff was able to

verify and trace the income statement accounts from the annual report to the trial balance to the general ledger. Staff is assured the data are supported by the accounting records. However, Prime Time remains deficient on the balance sheet schedule. In fact, Prime Time left out that page in its annual report filing.

Staff could not complete the following major procedure due to Prime Time's incomplete response:

Reconcile the balance sheets to the 1992-1995 annual reports, trial balances, and income tax returns.

In addition, Prime Time still did not prepare a compliance plan outlining procedures for ease of reconciliation in the future.

In summary, staff can attest to only the accuracy of the income statement accounts.

Recommendations

Staff's recommendations remain unchanged from the previous report. They are as follows:

1. Prime Time needs to maintain working papers and any other underlying documentation to support all data in the annual reports to the Commission.
2. Annual reports to the Commission should be reported on a calendar year basis.
3. Prime Time should maintain documentation that provides a clear audit trail to support revenues from the accounting records to the PUCTRA quarterly returns. This includes documentation to substantiate revenues generated by the owner-operators.

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
FRANCISCO, CA 94102-3278



April 28, 1997

VIA FAX (805) 295-7139

John E. Kindt, President
Prime Time Shuttle International, Inc.
25115 Avenue Stanford, Suite 230
Valencia, CA 91355

Dear Mr. Kindt:

This is in response to our telephone conversation today. As stated in the Joint Ruling, you are to have a detailed and complete agreement with the Accounting and Finance Branch. There are still much information that needs to be provided by your company.

Your agreement needs to be detailed and complete. The agreement needs to address when you will provide a detailed compliance plan which outlines the procedures for ease of reconciliation of your financial filings in the future.

Secondly, I need the following information to complete the financial filings reconciliation audit:

For years 1992 to 1995:

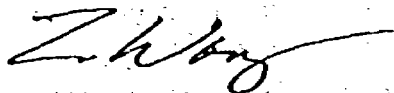
1. I need working papers to tie in the balance sheet account numbers from the general ledger to the annual report.
2. I need to verify the revenue and expense amounts from the annual reports and working papers numbers to your general ledgers. You need to provide documentary support on where you obtained the numbers to determine revenues from owner-operators.
3. You need to have a person or persons who prepared the working papers (e.g. PUCTBREC, PUCTBRE4) to explain entries. You need to have same person available to explain notations such as "reconciled" and "unreconciled differences".
4. In addition, you need to provide written explanation and worksheets supporting calculations on "Net revenue adjustment to actual gross fares" and "Offset net revenue adj to actual gross fares for payment to subcarriers"
5. You need to revise your 1995 annual report to the Commission to reflect data on calendar year and not fiscal year. You need to provide working papers/documentation to support how the numbers were derived from general ledger and reported on all schedules contained in the annual report.

Your signed agreement needs to state what you are agreeing to do and when you are going to complete it.

As I stated in our telephone conversation, I have other assignments that are taking up my time including being out of town. I am willing to allocate some time to accommodate you. I am available for 2-3 days during the week of May 19, 1997. You need to let me know the time and date as soon as possible.

If you have any questions please contact me at (415) 703-2279. I will be in my office until Tuesday, April 29, 1997.

Sincerely,



Zee Wong, Financial Examiner
Accounting and Finance Branch

PUBLIC UTILITIES COMMISSION

505 VANNESS AVENUE
SAN FRANCISCO, CA 94102-3278

I.93-05-004, I.95-07-001

ATTACHMENT C
Page 11 of 11

June 12, 1997

VIA FAX (805) 295-4914

Mike Michno, Accounting Manager
Prime Time Shuttle International, Inc.
25115 Avenue Stanford, Suite #230
Valencia, CA 91355

Dear Mike,

This is to inform you that I have left telephone messages to you on the following dates: May 30, June 3, June 5. You returned my telephone calls on June 9, 1997. Again, I left telephone messages to you on June 10 and June 11. As of today I have not heard from you.

On May 21, 1997, you agreed to provide me additional source documents and working papers by June 9, 1997. However, on June 9, I only received a copy of the 9/30/94 and 9/30/95 general ledger and copies of your quarterly report work papers. Your response is significantly incomplete. As I had discussed with you and Stephen Johnston on May 20, 1997, Prime Time has been well aware since mid-April of my remaining questions.

Since I have not heard from you, you are advised that, if I do not receive the remaining documentation by Monday, June 16, 1997, at 12 noon, I will limit my review to the documents on hand.

You may reach me at (415) 703-2279. For your convenience, my fax number is (415) 703-4426.

Sincerely,

A handwritten signature in black ink that reads "Z. Wong".

Zee Wong, Financial Examiner
Accounting & Finance Branch

cc: John Kindt
Stephen Johnston

(END OF ATTACHMENT C)