



Audits=5W + H, or The Why, What, When, Who, Where and How of Audits

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Many aviation professionals believe that the three most dangerous things they face are Thunderstorms, Severe Icing and Audits. If you are going to effectively manage your flying risks you certainly should avoid thunderstorms and severe icing. And, if you are going to effectively manage your Flight department's risks you need certainly should embrace audits.

This paper helps you understand the key questions about audits.

- Why should you have an audit?
- What are the different kinds of audits?
- When should you have an audit?
- Who should be involved in your audit?
- Where do you find your auditor?
- How do you get the most from you audit?

Why should you have an audit?

Before we get into Why, let's look at the three most common reasons many Flight departments do not want audits.

1. Fear and Uncertainty – "I've heard stories of audits that have gone badly. I believe there is little benefit that can come from an audit and lots of risks."
2. Not Ready – "I planned to have one last year but we hadn't finished updating our Flight Operations Manual. Now we are trading one of our aircraft. How can I impose an audit on our people when they are doing everything they can to just keep up with our 'normal' work load? Besides, the company has major cost cutting initiatives in place. Maybe next year."
3. Outlaws – "Audit? We don't need no steenking audit!"

The three most common reasons Flight departments do have audits are:

1. Confidence and Humility – "We know we are working hard to do the right things the right way. We also know we don't have all the answers. A good audit can reassure us. It can also give us a lot of the answers we need."

You and your department's members work hard to do a great job for your company. You believe that if you aren't getting better you are probably getting worse. You are concerned that you are too close to the action to see all the opportunities to enhance performance. You know an effective audit can map out the low hanging fruit for improvement as well as identify the high impact leverage points for creating further future successes.



You know you don't have all the answers. Or worse yet, you have them, but you are not well heard. An audit can provide support for addressing specific challenges (like not using a flight attendant in large cabin aircraft or dealing with a passenger who puts pressure on crews) and flight department Human Resource issues (short head count or low compensation, for instance). Let the auditor carry these difficult messages. He or she has no ax to grind. Besides, if the messenger gets shot, it won't be you.

2. Not Ready – “We have a lot of change going on here. We want to get better. A good audit can give us a baseline from which to measure our progress as well as give us a roadmap on how to get ‘there’.”

You want to improve the performance of your flight department. You want to “take it to the next level.” An effective audit provides you with a baseline understanding of your current performance. A baseline is tremendously important if you want to gage your progress en route to specific objectives.

One frequent reason an audit is done is to provide momentum for change or transition within the department. The source of the change may be from the parent company, like a merger or downsizing. Whenever there is a major corporate shift in leadership or strategy it is important to be absolutely certain that the flight services team stays in synch and focused on doing the right things the right way. An audit re-emphasizes this. It also can identify potential shifts in resources, processes, systems and people that can make the flight services even more effective and valuable during a crucial corporate period.

3. It Is Imposed – “Houston, we had a problem.”

Many flight department audits occur at the request of Downtown because of some recent event. That event could have been a perceived safety risk or failure, a service slip, or a financial surprise. This kind of audit is usually designed to define the true gravity of the problem, find its source and establish corrective action.

- Note: For the purpose of clarity throughout this paper, we have chosen to allow the term Safety to include both the arenas of Safety and Security.

Sometimes that corrective action includes shooting the guilty. To avoid that outcome, you should assume a proactive and supportive role in the audit process. Fighting an audit can blaze for getting burned. Instead, you should immediately become a partner in the process and help map out its objectives, processes and deliverables. In doing so, you will avoid many of an audit's landmines. You will also maximize the advantages an audit can create for you, your flight department and your customers.



What are the different kinds of audits?

There are essentially three different kinds of audits:

1. Compliance Audits
2. Performance Audits
3. Issue Specific Audits

A **Compliance Audit** uses a specified set of operating Safety criteria as its benchmark. Based on that benchmark, you are then graded in comparison to defined standards. The scoring is usually expressed in the Pass/Fail terms of “Meets the Standard” or “Fails to Meet the Standard”.

The criteria, or standard, may use the basics laid out in

- FAR Part 43 – Maintenance, Preventative Maintenance, Rebuilding and Alteration;
- FAR Part 61 – Certification: Pilots, Flight Instructors and Ground Instructors;
- FAR Part 63 – Certification: Crew Members Other Than Pilots;
- FAR Part 67 – Medical Standards and Certification;
- FAR Part 91 – General Operating and Flight Rules;
- FAR Part 135 – Operating requirements: Commuter and On-Demand Operations;
- FAR Part 121 – Certification and Operations: Sub Parts J & L
- International Standards – Business Aviation Operations (IS-BAO); and/or
- Your own Flight Operations Manual, Operating Policies and Procedures.

The objective of a Compliance Audit is to confirm that your operation meets the established Safety standard. No more and no less. It is unusual for a Compliance Audit to also include the arenas of Service and Efficiency.

A **Performance Audit** reviews Safety performance. It also includes the additional arenas of Service and Efficiency. All three critical performance arenas are measured against additional and even higher standards than a Compliance Audit. A typical scale for measuring performance is

- 5 = World Class,
- 4 = Industry Best Practices,
- 3 = Competent,
- 2 = Needs Improvement, and
- 1 = Unacceptable.

As an aside, it is our observation that the vast majority of corporations expect their Business Aviation department to operate at a Best Industry Practices level in all three arenas or performance, Safety, Service and Efficiency.

A Performance Audit tells you how well you are doing in each of the three arenas. It also specifically identifies areas of strength or high performance. Additionally, it may provide guidance on how even greater performance may be achieved. In other words, a Performance Audit can be a developmental tool for the operation that is seeking to take itself to “The Next Level”.



A **Specific Issues Audit** is a narrowly focused event. It is designed to provide answers to a clearly defined concern or set of issues. Examples of typical issues may include:

- Staffing levels,
- Compensation rates,
- Document the cause and response to an event or incident.

A Specific Issues Audit is often intended to be followed by some form of direct corrective action.

When should you have an audit?

Financial and operational audits are a standard practice for most businesses. As flight departments have continued to integrate themselves more closely with their companies audits are becoming a standard practice for them, too.

The accepted Best Practice is to conduct an audit once each year. Many flight departments are finding that alternating the annual audit between an internal team and an external auditor works well. This approach has the benefits of keeping the operation sharp while managing the costs of the review process.

If a flight department event occurs, it may be important to have a Specific Issues Audit conducted as soon as practical. This helps to assure Downtown that the flight department is acting responsively and responsibly. Additionally, a formal audit or inquiry can most effectively gather data and information to confirm the facts of the event as well as establish a course for future action.

No matter what type of audit you are going to have (Compliance, Performance, or Specific Issues) your department is always better positioned if you are an initiator and participant, rather than an observer of the process. Then you have a greater opportunity to manage the process and its results. Therefore, from a control and political perspective, it is always better for the flight department to recommend and sponsor an audit.

Who should be involved in your audit?

There are several key participants in the audit process. If it is an external audit you may want to include

- The Executive to whom the flight department reports,
- Any other interested or controlling senior authority,
- The flight department leadership team (including the managers of the department, flight, maintenance and scheduling), and
- The auditors.



If it is to be an internal audit you may also wish to include a member of the company's internal audit staff to assure appropriate protocols and credibility of the process.

The reasons for including the Executive to whom the flight department reports as well as any other interested or controlling authority are important and logical:

- When senior management co-sponsors the audit you are implicitly gaining their commitment to the credibility of the process and its results, and
- With that commitment, you will more easily gain approval for the budget and policy changes necessary to respond to the findings of the audit.

No matter which kind of audit you are having, you should at least seek co-sponsorship from the executive to whom the department reports.

Where do you find your auditor?

There are dozens of firms and individuals who are highly qualified to perform your audit. Where do you find the one best suited for your needs?

- Flight Safety Foundation conducts Safety Audits.
- NBAA can tell you which member companies do audits. However, their policy is not to endorse or recommend anyone.
- IBAC keeps a list of registered IS-BAO auditors on their website.
- Your insurer may do audits (often for free or very nominal costs) and they will certainly have auditors they recommend.
- Ask for suggestions from the managers of flight departments you respect.

You should interview at least three auditors for your project. They will give you insights into their processes and things that you may not have considered. When you ask them to submit their proposals you want to be sure that they are all dealing with a common understanding of the project's scope and deliverables.

How do you get the most from you audit?

It is critical that you match your auditor to the objectives and deliverables of your project. Some key points to consider in your selection of an auditor are:

1. Be sure that the auditor's philosophies about the performance of safety, service and efficiency are adaptable or aligned with those of your company and flight department.
2. The auditor has specific experience in the critical arenas to be addressed during your audit. For instance, unique operating procedures (like helicopter, floatplane and transport category aircraft operations) need special expertise and experience in order to gain an effective evaluation. Another example is that review of staffing levels and compensation also require special auditor competence if the audit's observations and recommendations are going to be taken seriously downtown.



3. Ask each auditor to describe their processes for a) pre-arrival preparation and b) their onsite visit. Be particularly aware of how they will gather information and work with your people as you continue to run your daily business.
4. Although it is inappropriate for an auditor to give you a copy a report they have done for another company, you can ask them to describe how they report out and what those reports' formats will be.
5. Check references! Talk with their past clients, at the airport and downtown. Ask how the audit matched or exceeded their expectations, how it could have gone better, and what they suggest you do to make the audit as successful as possible for you, your department and your company.
6. Compare prices. Although you may find that the first five steps cause you to focus on one auditor, it never hurts to make certain you are paying a fare price for a great result!

In closing, an audit can be a snapshot of your department's current status that can reassure you and downtown that all is well. Or, it can be a tool for helping you take your flight department and its performance to the next level. Whichever type you choose, audits are an important part of doing business in Corporate America. They should be for your flight department, too.