

**DOD MODEL PROGRAM
FOR
AIR CARRIER INTERNAL AUDIT EVALUATION PROGRAM**

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INTRODUCTION

The Department of Defense (DOD) Commercial Airlift Division is mandated by public law and DOD directive to continuously monitor and oversee commercial air carriers doing business for the DOD. The DOD Commercial Airlift Division accomplishes this responsibility through on-site surveys and tabletop performance evaluations. The benchmark used during these evaluations is the DOD Commercial Air Transportation Quality and Safety Requirements. The DOD has compiled characteristics of air carrier programs that stand out as models for the industry. Each model represents a specific requirement that the DOD measures during evaluations.

Here we describe what we believe is a model or ideal internal audit program. FAA Advisory Circular 120-59A can also be referenced to enhance program development. Internal audits assist managers in identifying problem areas and becoming proactive in implementing corrective actions. The DOD does not mandate this precise program, since not every carrier needs the level of detail presented. This model program is broken into two components.

- A. Overview of an internal audit program
- B. Components of an internal audit program

A. OVERVIEW

1. A company-wide internal audit program is implemented to provide formal, continuous self evaluations of an air carrier's operations, safety, and maintenance activities. This effort encompasses all stations, domiciles, line stations, and maintenance bases. The program focus is to ensure that the carrier operates in accordance with regulatory, customer,

and company requirements. Internal audit programs are frequently separate from the other management functions. Separation can be achieved for example, by establishing a separate safety, internal audit, or quality assurance/control department.

2. Scope of an internal audit program. A scheduled, continuous internal audit program evaluates the effectiveness of all programs, and in some cases, influences process improvements. The program identifies deficiencies, seeks out root causes, implements corrective actions, and verifies corrective action effectiveness. Areas to be considered for inclusion in the internal audit program include:

MAINTENANCE

Aircraft Inspections	Maintenance Program/Reliability
Facilities	Vendor Files
Aircraft Records	Aircraft Appearance
Unscheduled Maintenance	Stores Operation
Fuels Program	Maintenance Control/Planning
Maintenance Training	Manuals
Maintenance Staff Functions	Equipment Calibration
Quality Assurance/Control	Deferred Maintenance

OPERATIONS

Ops Specifications	Aircrew Training
Internal Evaluation Program	Safety Program
Captain Upgrade	Manuals
Aircrew/Dispatch	HAZMAT Procedures
Records	Hiring Procedures
Scheduling	Charter Procedures
Flight Planning/Dispatch	Ground Operations/Cargo Handling
Flight Control	Security

B. COMPONENTS OF AN INTERNAL AUDIT PROGRAM

1. The internal audit program is outlined in the company's maintenance manual, operations manual, or a stand-alone document. The program definition includes:

- a. An organizational diagram depicting management involvement in the program.
 - b. Duties and responsibilities of personnel involved.
 - c. Policies and procedures for implementation, performance, and modification of the internal audit program.
 - d. Areas to be audited, audit objectives, and required frequencies.
 - e. Follow-up procedures.
 - f. Procedures to be used to provide ongoing, continual oversight of areas.
 - g. Format for audit reports (reporting procedures) and responses to findings.
 - h. Definitions of any unique terms.
 - i. Auditor qualification requirements.
 - j. Document control.
 - k. Proactive real-time data analyzed for risk-based programs.
2. Senior managers are involved in reviewing program effectiveness.
- a. Management involvement includes oversight of overall program effectiveness, review of audits and responses, and periodic scheduled meetings to analyze results.
 - b. Management participation should be at a level above those with direct supervision of the audited functions. Management level should include the decision authority to make changes based on audit results.

3. Skilled, knowledgeable, and trained auditors/inspectors are available in adequate numbers. Appointment and training of auditors is documented.
4. Formal schedule outlines of all areas to be audited, audit due dates, and any required follow-up activities. Audits and reviews of time-sensitive areas should be conducted on a continual basis, rather than a one-time annual schedule.
5. System exists to plan audits, track audit accomplishment, monitor discrepancies, and highlight necessary follow-up actions. Process should identify audits or responses that are overdue. In addition, it should ensure audits are not closed until all findings are answered in an acceptable manner.
6. Focused audit checklists are used to inspect all areas on a recurring basis.
7. Findings are documented and forwarded to functional areas for corrective action. Findings should be tracked by the internal audit program manager to ensure discrepancy resolution.
8. Formal procedures ensure that the root cause of all discrepancies is identified and corrected to prevent recurrence. Corrective actions that only address surface or superficial fixes should be rejected. Corrective action plans and timelines should be developed when deficiencies can not be resolved quickly. Follow-up audits are used to verify elimination of deep-rooted problems and ensure corrective action plans are effective.
9. Files are maintained. They include the most recently completed report, the previous audit report, audit checklist with findings identified, and documentation of discrepancy resolution. Concise audit summaries can be used for trend analysis of discrepancies.
10. A formal system is used by management to analyze audit results and identify areas that fall short of company expectations.
 - a. Periodic reports are provided to appropriate senior management personnel.
 - b. Action plans are developed to raise performance to meet goals.

While carrier audit programs will differ based on scope and size of the company, every carrier should have some method of continuous self-assessment.

SUMMARY

The DOD believes an IAP built around the above characteristics will benefit the air carrier in several ways. The program should improve safety, enhance air carrier image, enhance regulatory compliance, and promote air carrier efficiency.

Air carriers desiring copies of DOD model programs should access the DOD Commercial Airlift Division public website at <http://www.amc.af.mil/Home/AMC-Commercial-Services/> or contact our office at Scott AFB IL, (618) 229-4801.