



Internal Evaluation Program

Revision: Original

15 August 2009

Serial Number: _____

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Revision	Description of Change	Revision Effective Date	Revision Inserted By
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Internal Evaluation Program

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Internal Evaluation Program

1. OVERVIEW

The YCO Internal Evaluation Program (IEP) provides written guidance to management when performing **Internal Audits, Vendor Audits, Internal Evaluations, and Management Reviews**. These safety assurance activities are designed to assure compliance with regulations, determine conformance with company policies, standards and best practices, and to measure conformance with, and the effectiveness of, safety risk controls. They also aid managers in identifying system / process deficiencies and conformance with the objectives and expectations of the SMS itself. Proper use of this Internal Evaluation Program provides opportunities to enhance safety and improve policies, procedures, and processes throughout the organization.

A. INTERNAL AUDITS BY OPERATIONAL DEPARTMENTS (DEPARTMENTAL AUDITS)

Departmental audits are performed internally by managers within their respective departments. These audits confirm continued regulatory compliance, and are also used to determine conformity with, and assess the performance of, all risk controls within each department.

B. INTERNAL EVALUATIONS

Internal evaluations of all departments are performed by the Director of Safety or delegated auditors, who are functionally independent of the department(s) being audited. These evaluations look at operational processes within each department to assure quality process outputs, determine conformity with existing safety risk controls, and to assess the performance of safety risk controls. Internal Evaluations also determine that the SMS conforms to the company's objectives and goals, by sampling measurements of SMS outputs.

C. ADDITIONAL AUDITS

The following additional audits are also performed in accordance with this Internal Evaluation Program:

- **Vendor Audits** provide quality assurance of contracted fueling, deicing, maintenance and other services. Vendor audits are conducted by department managers (or their delegated auditors) utilizing the same Audit Finding Report (AFR) form as is used by YCO internally. Department managers may assist a vendor's Point-of-Contact (POC) with development of suitable Corrective Action Plans.
- **Follow-up Audits** determine the effectiveness of individual, specific risk controls. Follow-up audits are normally scheduled soon after risk controls or corrective actions have been implemented, and are performed in accordance with procedures contained in the YCO **Risk Management Program**.
- **Special Audits** may address industry trends or be performed at the request of management or a regulatory authority. Special audits may or may not be unannounced, and could be based on the concerns of regulatory authorities, top management priorities, trends identified by employees and/or industry, or routine no-notice inspections.

D. MANAGEMENT REVIEWS

Management reviews of the SMS include the sampling of outputs of Safety Risk Management, Safety Assurance, and Safety Promotion processes. Management reviews also include assessing the performance and effectiveness of YCO's operational processes, and the need for improvements to operational processes and the YCO Safety Management System.

2. SCOPE OF THE INTERNAL EVALUATION PROGRAM

Your Company provides Safety Assurance covering the complete scope and life cycle of all systems and operational processes. Refer to the SMS Manual's **Introduction – Scope of Safety Management** for a complete listing of all systems and operational processes which are assured through this IEP.

3. OBJECTIVES

A. REGULATORY COMPLIANCE

Through the safety assurance activity of **Departmental Audits**, YCO systematically verifies compliance with all Specific Regulatory Requirements (SRRs) that apply to its aviation activities, including all applicable parts of the Federal Aviation Regulations (FARs) and all local, state, federal and foreign requirements.

B. RISK CONTROL PERFORMANCE AND EFFECTIVENESS

Departmental audits and internal evaluations both determine the performance and effectiveness of risk controls. The objective of these safety assurance processes is to correct non-conformities with risk controls which pertain to each specific department's operational processes, and to improve the performance of ineffective risk controls.

C. SATISFACTORY PROCESS OUTPUTS

Internal Evaluations extend beyond regulatory compliance and the performance of risk controls to identify unsatisfactory operational process outputs, including SMS process outputs.

D. CONTINUAL IMPROVEMENT

This Internal Evaluation Program provides a structured, documented method of establishing and promoting a system of continual improvement through quality management. The objective of this IEP is to proactively identify weaknesses in YCO management systems, operational processes, procedures, and employee training in order to efficiently target continual improvement strategies.

As departmental audits, vendor audits, internal evaluations and management reviews are performed, findings reveal new hazards and existing system / process / control deficiencies. These findings are documented on Audit Finding Reports for application of the processes of **Analysis of Data** and **System Assessment**.

Deficiencies in operational processes / existing risk controls and newly identified hazards are recorded in Incident Reporter, and the **Safety Risk Management** process is performed using the IR database. Follow-up audits ensure the effectiveness of risk controls and corrective actions, and results are communicated to appropriate personnel as lessons learned. This results in continual improvement, and proactively enhances safety throughout the organization.

4. RESPONSIBILITIES

A. PRESIDENT

The President, as an authorized representative of senior management, is responsible and accountable for the continued quality assurance of this Internal Evaluation Program. This includes establishing the frequency of all **departmental audits** and **internal evaluations**. The President is also responsible and accountable for the planning and conduct of all **management reviews**. The President is further responsible for the continued performance of the Director of Safety and all Safety Committee members in their duties with regard to this Internal Evaluation Program.

B. DIRECTOR OF SAFETY

The Director of Safety (DOS) is responsible and accountable for the planning and conduct of **internal evaluations**. The Director of Safety shall report to the attention of the President and the Safety Committee, the results of each **Audit Finding Report** (AFR Form SP010) generated from the completion of internal evaluations and will perform follow-up audits for each risk control or corrective action recorded in the IR database. The DOS is responsible for the organization, filing, security and maintenance of all internal evaluation records, including associated Audit Finding Reports and Risk Management Records within the IR database.

C. DEPARTMENT MANAGERS

Department managers are responsible and accountable for **continuous monitoring** of operational data, the planning and conduct of **departmental audits**, and assurance of full regulatory compliance within their respective departments. This includes compliance with all applicable regulations, Operations Specifications and contractual requirements. Department managers are further responsible for:

- The planning, conduct and completion of all vendor audits (such as contracted fueling, deicing or maintenance companies) for products and services received from vendors that apply to the operational processes they own;
- Developing and implementing Corrective Action Plans (CAPs) within their respective departments;
- Communicating CAPs and lessons learned to appropriate department personnel.

Department managers are responsible for the organization, filing, security and maintenance of all departmental audits, vendor audits and Vendor Audit Status Logs, including associated Audit Finding Reports. Each manager is responsible for the prompt reporting of all audit findings to the President or the Director of Safety. Department managers shall maintain full cooperation with the Director of Safety (or his delegated auditor) during the conduct of internal evaluations and for assisting the Director of Safety in the collection of data during these evaluations.

D. SAFETY COMMITTEE

Members of the Safety Committee are jointly responsible for ensuring that the YCO Statement of Compliance is kept current, up-to-date and accessible to all department managers. The Safety Committee is further responsible for:

- Review and validation of audit findings that reveal a safety issue involving more than one department;
- Gathering of additional data if necessary to determine the validity and impact of an audit finding;
- Reviewing and making suggestions for effective Corrective Action Plans (CAPs).

E. PERSONNEL

All personnel are responsible for aiding and assisting department managers during the conduct of departmental audits, and for assisting the Director of Safety (or his delegated auditor) during the conduct of internal evaluations. During these audits and evaluations, personnel are encouraged to bring to the attention of management any related safety concerns or perceived process deficiencies, without fear of retribution.

F. AUDITORS

Auditors report directly to appropriate department managers when performing departmental audits and vendor audits, and to the Director of Safety when conducting internal evaluations. If, during the course of an audit, the auditor determines that he or she is being asked to audit his or her own work, that portion of the audit must be completed by another qualified auditor. ***In no case may an auditor audit his or her own work.***

Auditors are responsible for immediately bringing to the attention of the manager of the department or vendor being audited, any apparent finding that may be considered high risk. Auditors shall take whatever measures are necessary to prevent injury or accident if areas of high risk are discovered during an audit.

Auditors should openly share with department managers and vendor Points-of-Contact (POCs) all apparent findings, overall progress and questions or concerns when conducting an audit. Auditors are responsible for performing jointly with each appropriate department manager or vendor POC, an initial assessment of each apparent audit finding to determine if the potential exists for regulatory non-compliance. Auditors are further responsible for prompt and thorough submission to appropriate managers all completed departmental audits and vendor audits, and to the Director of Safety all completed internal evaluations, together with any audit findings.

5. AUTHORITY

A. PRESIDENT

The President, as an authorized representative of senior management, is authorized to direct the conduct of this Internal Evaluation Program. The President is authorized to direct accelerated audit schedules, repeat audits, follow-up audits and audits of vendors. The President is authorized to supplement this IEP with external audits from outside sources, and to direct the revision of this IEP as necessary. The President is authorized to call an emergency meeting of the Safety Committee. Your Company's President holds the highest level of authority and is authorized to direct department managers and/or the Director of Safety to open Risk Management Records (RMRs) in the IR database, and to implement Corrective Action Plans (CAPs) to address valid audit findings.

B. DEPARTMENT MANAGERS

Department managers are authorized to perform **departmental audits** within their respective departments, for regulatory compliance and to determine the performance and effectiveness of risk controls. Each department manager is authorized to delegate portions of these audits to their respective department staff members, but delegated auditors shall not audit their own work. Department managers are authorized to direct an accelerated audit schedule, repeat audits, follow-up audits and audits of vendors for products and services that pertain to the operational processes they own.

During the performance of a departmental audit, department managers are authorized to take **IMMEDIATE ACTION**, including cessation of flight operations or maintenance activities, to mitigate risk if a finding indicates that **Unacceptable/Red/High** levels of risk may exist. Managers are also authorized to make on-the-spot corrections for all minor findings (such as an administrative error) that are not classified as **NCP–Noncompliance with Regulations**. If a finding indicates an instance of noncompliance or other apparent violation, it must be brought to the immediate attention of the President for review. If the President is unavailable, the matter should be brought to the attention of the Director of Safety for disposition.

Department managers are **NOT AUTHORIZED** to discuss findings of apparent violations until reviewed by the President or Director of Safety for proper liaison with regulatory authorities, in order to protect YCO and all personnel involved from potential certificate action and/or civil penalties.

C. DIRECTOR OF SAFETY

The Director of Safety is authorized to conduct all **internal evaluations** and follow-up audits for each risk control and corrective action (RC/CA) recorded in the IR database. These evaluations, audits, and portions thereof may be delegated to qualified auditors. The Director of Safety is authorized to openly discuss audit findings with department managers. The Director of Safety has further authority to establish and modify or revise this IEP as necessary, in accordance with the requirements of the company's SMS Manual and YCO document revision procedures.

The Director of Safety is authorized to conduct all audits, evaluations, inspections and reviews, including follow-up audits that must be documented in IR as a result of an audit finding and subsequent CAP. The Director of Safety is authorized to call an emergency meeting of the Safety Committee if, in the opinion of the Director of Safety, such a meeting is warranted.

D. SAFETY COMMITTEE

The Safety Committee is authorized to review all audit findings produced from departmental audits, internal evaluations, vendor audits and management reviews at regularly scheduled meetings. For valid findings that warrant corrective action, the Safety Committee is authorized to review and accept Corrective Action Plans (CAPs) designed to mitigate risk, as developed by department managers. In the event audit findings are of an urgent nature, the Safety Committee is authorized to convene at an emergency meeting called by the President, the Director of Safety, or any department manager, and take whatever actions are necessary to mitigate risk, in the best interest of Your Company.

E. AUDITORS

Auditors are authorized to conduct departmental, vendor, follow-up and special audits only as directed by, and within limitations established by, appropriate department managers or the Director of Safety. In the case of internal evaluations, the Director of Safety authorizes the specific actions of auditors. Auditors are authorized to share audit findings only with the manager of the department or vendor POC to which the audit or evaluation applies, and with no other persons excepting the Director of Safety and senior management. In the event audit findings appear to reveal an area of high risk, auditors are authorized to take immediate actions to prevent injury or accident.

NOTE:

Appropriate managers open RMRs and develop Corrective Action Plans within Incident Reporter for findings that fall under each manager's respective authority or area of expertise. All CAPs developed as a result of an IEP audit should be accepted by the appropriate Risk Decision Authority (typically the department manager) and reviewed by the Director of Safety or the Safety Committee prior to implementation.

6. AUDITOR COMPETENCY REQUIREMENTS

A. GENERAL KNOWLEDGE AND EXPERIENCE

YCO auditors should have training and/or experience in recognized quality assurance auditing, systems analysis, root cause analysis and risk assessment, as well as evaluation principles and techniques. Any one or combination of the following could accomplish this training:

- In-house prepared courses;
- On-line training from a reputable industry source;
- Home study course materials;
- Industry seminars and workshops.

B. SPECIALIZED KNOWLEDGE AND EXPERIENCE

Knowledge and experience specific to the department or operational process being audited is essential for the auditor to understand the processes he or she is evaluating. For example, even with the general knowledge and experience required above, a pilot without an A&P license or maintenance experience would not make an appropriate auditor of the maintenance department.

C. APPOINTMENT OF AUDITORS

Auditors should be selected from within each department by the Director of Safety jointly with each department manager. Only those persons with substantial knowledge of the department and various department processes should be selected to be an auditor for that department. After an auditor candidate has been mutually agreed upon by the Director of Safety and the appropriate department manager, the auditor candidate should receive training and be formally appointed by Letter of Appointment from the Director of Safety or appropriate department manager.

NOTE:

All letters of appointment should specify which departments and/or operational processes the auditor is authorized to audit and evaluate. Letters of Appointment are retained and filed by the Director of Safety.

7. GENERAL AUDITING & EVALUATION POLICIES

A. CONDUCTING THE AUDIT OR EVALUATION

When possible, each scheduled audit or evaluation should begin with an opening meeting. The purpose and goal of the meeting is to ensure that the person responsible for the operational process or department being audited understands the reason for the audit, how the audit will be conducted, and what will be accomplished at the completion of the audit.

When auditing, auditors must base their assessment on a representative sample of objective evidence of conformance or non-conformance to documented regulatory and company requirements. When appropriate, perform a root cause analysis of the issues to identify and correct the root cause of those issues. Objective evidence is found through the review of records, interviews of personnel, and observations of work in progress.

A closing meeting should be accomplished with the department head or vendor Point-of-Contact (POC) to ensure the responsible person completely understands any and all non-conformance issues discovered during the audit process. Areas that exceed company requirements should also be discussed during the closing meeting.

Any findings that represent a critical failure of a system, process or function should be corrected on the spot, whenever possible. On-the-spot corrections shall be documented by the auditor on the Audit Finding Report, noting whether or not they were corrected immediately.

Any audits or evaluations that result in disputes which are not resolved during the closing meeting, will be arbitrated and decided by the Safety Committee.

NOTE:

It is essential for all personnel and vendors to understand that audits and evaluations are not intended to locate blame, finger-point or find fault. Rather, they should be conducted in a spirit of team cooperation and a desire to improve processes and enhance safety.

8. INTERNAL AUDITS BY OPERATIONAL DEPARTMENTS (DEPARTMENTAL AUDITS)

A. APPLICABILITY OF REGULATIONS

Department managers must determine the applicability of specific regulations when conducting a departmental audit for regulatory compliance. Appropriate portions of a current and complete YCO Statement of Compliance are necessary in order to develop the necessary audit criteria. These criteria are used by department managers to ensure regulatory compliance within each department.

B. BASELINE STANDARD

As a baseline standard of minimum safety, each department manager should conduct an initial comprehensive audit by confirming compliance with all applicable regulations, contracts and other external requirements. Audit findings that reveal instances of noncompliance should be brought to the immediate attention of the President or Director of Safety.

Departmental audits also determine conformity with all risk controls which pertain to each specific department's operational processes, and to assess the performance of those risk controls. As a baseline standard, department managers should perform a "find" in the IR database for all risk controls pertaining to operational processes within their respective departments. Particular attention should be paid to Safety Risk Profile risk controls, as these controls have a high level of associated risk and safety criticality.

For each risk control, review appropriate documents and records, and observe related operational processes, in order to determine conformity and effectiveness of the control.

C. FREQUENCY OF DEPARTMENTAL AUDITS

After each department's baseline standard has been established, a complete departmental audit (consisting of a review of all specific regulatory requirements and all applicable risk controls) should be conducted no less than once every 12 months. In addition, special audits which target specific areas of regulatory compliance, operational processes and/or areas of high risk should be conducted whenever:

- Changes occur in applicable regulations;
- Changes occur in YCO Operations Specifications;
- Changes occur to the YCO Safety Risk Profile;
- Changes occur in key management personnel;
- New equipment or types of operations are commenced that result in changes to the YCO Statement of Compliance.

D. AUDIT PLANNING

To plan for a departmental audit, department managers should consider the safety criticality of the processes being audited. Those processes which are critical to flight safety (such as pilot qualification or weight & balance) should be given more consideration and scrutiny than those with less safety significance. Applicable portions of the YCO Statement of Compliance should be referenced, in order to determine if any new regulatory requirements exist and to incorporate those requirements into the audit.

The Incident Reporter database should also be referenced for a listing of all risk controls that pertain to the department, in order to determine conformity and the effectiveness of applicable risk controls. Finally, the results of previous audits for the processes being audited should be reviewed, and any audit findings from previous audits should be incorporated into the planned audit.

E. DEPARTMENTAL AUDIT PROCEDURES

Each department manager should conduct the audit by systematically reviewing audit criteria (e.g., applicable regulations, existing risk controls and previous audit results), and confirming compliance and conformance through review and careful evaluation of pertinent documents, records, facilities, tools, equipment and personnel. Audit findings are often subject to interpretation. In such a case, it is advisable to get a second opinion from someone within the department who has expertise in the area being audited. Procedures for assessing and recording valid audit findings may be found in the paragraph titled: **Findings** below.

When conducting departmental audits, evidence of regulatory noncompliance may be revealed. It is possible for evidence of a past violation to exist in flight or maintenance records, for example, without an associated safety risk. Other violations may be indicative of potentially high risk. Depending on the nature of the violation, immediate action could be required, including possible cessation of operations, voluntary disclosure, and a comprehensive fix to prevent recurrence.

NOTE:

Regulatory violations may be indicative of serious safety concerns. They also present potential liabilities to YCO and its personnel in the form of civil penalties and/or certificate action(s). Any apparent violation of regulations discovered at any time demands immediate notification to senior management.

9. VENDOR AUDITS

A. VENDOR AUDIT CHECKLISTS

Vendor Audit Checklists are developed by appropriate department managers for use by delegated auditors. These checklists include both minimum standards (such as fuel grade specifications or facility requirements) and performance-based questions to determine the effectiveness of an operational process, or to determine if safety attributes (such as adequate procedures or controls) are suitably designed into the process. Questions that are not answered positively, or for which the auditor is unable to determine an answer, could indicate a risk that may require corrective action on the part of the vendor's Point-of-Contact (POC).

B. BASELINE STANDARD

As a baseline standard of minimum safety performance, each vendor utilized by Your Company for routine fueling, deicing, training, and contract maintenance services should be initially audited. The initial audit should focus on those products or services which, if risk is not properly controlled, would result in the highest risk for Your Company. Perform a review of all risk controls the vendor has established to mitigate such risk.

C. FREQUENCY OF VENDOR AUDITS

After a vendor's baseline standard of performance has been established, the vendor should be audited no less than once every 24 months. In addition, audits which target specific areas of performance should be conducted whenever:

- Areas of concern exist as determined by regulatory authorities;
- Aviation industry trends are identified;
- Trends are identified by this IEP;
- Abnormal reliability trends appear;
- Senior management directs an audit.

Operational processes or products / services for which observations, reports, or previous audit findings indicate a deficiency may exist should be given priority. Even the perception that a problem exists in a particular operational process or product / service is adequate justification for a vendor audit to be conducted.

NOTE:

Although a vendor audit may be conducted immediately following an incident or report of a hazard, it is essential for vendors and their personnel to understand that vendor audits are not intended to locate blame, finger-point or find fault. Rather, they should be conducted in a spirit of team cooperation, a desire to improve vendor processes, and to enhance system safety.

D. CONDUCTING A VENDOR AUDIT

As a courtesy, both the appropriate department manager and the individual(s) conducting the audit should contact the vendor's Point-of-Contact (POC) prior to initiating a vendor audit. Only qualified auditors who possess knowledge and expertise in the area being audited will be assigned to audit vendors.

When possible, the audit should be scheduled to ensure minimum disruption of daily activities and work schedules. During the course of the audit, auditors should be careful to:

- Foster a cooperative working relationship;
- Perform initial validation and risk assessment of apparent findings;
- Ensure the audit's smooth flow, resulting in minimum disruption to the vendor.

E. VENDOR AUDIT STATUS LOG

The **Vendor Audit Status Log SP011** is used to track the progress of all vendor audit activities. The Audit Status Log contains the following information:

- Name and Number of the vendor or department being audited.
- Type of audit being accomplished.
- Name and employee number of the person conducting the audit.
- Date the audit was initiated.
- The numbered audit checklist(s) used to perform the audit.
- Findings and Concerns by number. (Vendor or Department # - Date (MM/DD/YYYY))
- The Name and Email of the POC
- Date the Audit Finding Report (AFR) was sent to the Point-of-Contact (POC). This date shall be within:
 - 10 working days for the original AFR report.
 - 5 working days for a re-submittal of an POC's Corrective Action Plan initially rejected by the Director of Safety or the Safety Committee.
- Date the POC's Corrective Action Plan is due back from the POC. This date shall be within:
 - 10 working days for the original AFR report.
 - 5 working days for the re-submittal of a Corrective Action Plan initially rejected by the Director of Safety or the Safety Committee.
 - Date the POC's AFR response was received by YCO.
- Date the POC's AFR response was accepted or rejected.
 - If the corrective action for a specific finding was initially rejected, the finding number will be reentered in the Finding # column annotated with an asterisk.
 - An asterisk next to a Finding # indicates that a re-submittal of a Corrective Action Plan by the POC was required.
- Date the Satisfactory Fix was completed and approved.
- The date of the Follow-Up Audit of the POC's operational process or functional area, if required.

10. INTERNAL EVALUATIONS

A. CONFORMANCE WITH RISK CONTROLS AND SMS OBJECTIVES

Internal evaluations are performed to determine if the SMS conforms to its objectives and expectations. This is done by measuring **SMS Process Outputs** as set forth in the following paragraph. The Director of Safety performs internal evaluations to evaluate conformance with assigned risk controls, and the efficacy of those risk controls as they apply to the department or operational process being evaluated.

B. BASELINE STANDARD

As a baseline standard, the Director of Safety performs a "find" in the IR database of all risk controls and corrective actions, for all operational processes, which pertain to the department being evaluated. Particular attention should be paid to Safety Risk Profile risk controls, as these controls have a high level of associated risk and safety criticality.