

**Coordinating Agency for Supplier  
Evaluation**

**(C.A.S.E.)**

**AUDITING GUIDE**

**Air Carrier and  
Aeronautical Repair Station Sections**

APRIL 2008

# **Auditing Guide**

**Air Carrier Section and Aeronautical Repair Station Section**

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### **PART I: C.A.S.E. HISTORY**

In the early 1960's, it became obvious that many contractors were performing repetitive evaluations of the same suppliers. The results of these multiple surveys were, as a rule, nearly identical.

Since early 1963, major aerospace contractors have worked together to reduce overlapping supplier audits/surveys. It was an idea whose time had come.

An innovative and cost effective strategy based on the idea that Aerospace Contractors would share supplier evaluation data became a reality in early 1964 with the formation of the Coordinating Agency for Supplier Evaluation (C.A.S.E.).

Air Carriers have participated since 1982, when the Federal Express Corporation joined the organization as the first Air Carrier Member, thus forming the nucleus of the Air Carrier Membership. Air Carriers were formed as a section in 1984. Currently, Air Carrier membership exceeds 100 national and international airlines.

In 1991, C.A.S.E. was incorporated under the laws of the State of California as a nonprofit, mutual benefit corporation.

The Repair Station Section began as a Section at Large and became an official section in 1994. Current Repair Station membership exceeds 30 companies.

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### PART II: C.A.S.E. AUDITORS

#### PROFILE

Auditors working on behalf of C.A.S.E. or for their company must be perceived and committed to be competent and qualified. Confidence in audit results depends on the auditor's proficiency, independence of judgment and professional conduct.

C.A.S.E. policy states that Level III auditors will be experienced auditors, with a minimum of three years experience in aircraft maintenance/quality control/quality assurance. This experience gives the auditor an understanding of peripheral 'non-quality' matters, which have a bearing on quality itself.

Auditor candidates for the C.A.S.E. authorization must have conducted vendor facility audits according to the C.A.S.E. standard appropriate for the authorization sought. Please consult individual Section requirements.

An auditor will be completely independent and objective. Independence relies on the absence of conflict of interest in the relationship with the vendor. It is not appropriate for an auditor to conduct monetary business during an audit conducted on behalf of the C.A.S.E. Organization (please read references regarding Anti-trust laws in this handbook and be aware of your Company's Corporate policy). If a professional or personal relationship exists between the auditor and management at the audited facility, it could impair or compromise the auditor's integrity and/or objectivity, and therefore constitute a question in regards to independence of the auditor.

No C.A.S.E. Level III auditor or Level IV Evaluator shall provide consulting services to a business entity for the purpose of preparing this entity for the receipt of a C.A.S.E. audit. An auditor should never accept gifts or unlawful discounts. Outside employment or other relationships, which could constitute a conflict of interest with the C.A.S.E. Organization, are not tolerated.

The auditor must be thoroughly familiar with the standard used to audit. Audit criteria are only guidelines and auditors should understand the subjects well enough so as not to be misled by the vendor and to be able to teach/expand on significant areas. Level III auditors know the standards, the Code of Federal Regulations applicable to aviation, and other documented references in the specific audit area.

How a Level III auditor presents himself is directly proportionate to the success of the audit and reflects on C.A.S.E. as a professional organization. The auditor and the Organization's credibility can be severely damaged if the auditor does not behave in a professional manner.

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### AUDITOR TRAITS

The following are traits and knowledge a Level III auditor should adopt to ensure consistency and quality:

- Good communication skills, choice of words, clarity of thought, listening, understanding, response and writing skills
- The ability to plan, organize, observe and analyze
- Leadership skills that supervise, delegate, gain cooperation and direct vendor to Objectives
- Decision making ability; separate facts from opinion; compile information and evidence and compare with the standard
- Ability to work independently, systematically and energetically
- Adapting to changing work assignments and conditions
- Good outward appearance and conduct (Dress for the audit, and consult with the vendor)
- Intelligent, alert, comprehending and reasoning
- Emotionally stable, calm, self-confident, persistent, insistent and task-oriented
- Honest, reliable, constructive, helpful and diplomatic
- Good attitude, value, interest, good work habits; initiative, careful, curious and open minded
- Remember you are an ambassador for the C.A.S.E. Organization

### AUDITING TECHNIQUES

- Establish rapport with a friendly greeting
- Exchange business cards
- State the purpose of audit (initial, follow-up and to which C.A.S.E. Standard)
- Explain what the C.A.S.E. Organization is all about
- Review scope of the audit (Review appendices of member requirements)
- Identify any personnel to be interviewed/audited
- Confirm agenda for audit and duration of audit
- Agree on lunch break time and daily end time
- Request previous C.A.S.E. audit-report, if applicable
- Review Repair Station and Quality Control Manual **BEFORE** the audit.
- Determine vendors attitude about C.A.S.E. Organization
- Find out who is responsible for specific duties
- Answer all checklist items (This is most important and remember to accomplish all capabilities and work processes)
- Listen, Listen, Listen
- Be aware of body language

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### **AUDIT BEHAVIOR**

- Always behave professionally.
- Have a positive approach – be friendly.
- Avoid Gotcha's – We have no quota.
- Don't argue – stay out of the audit emotionally.
- Don't be judgmental.
- Don't be nit-picky – if discrepancy is noted – don't lecture.
- Maintain confidentiality, avoid gossip.
- Give positives where rightfully earned.
- Always maintain objectivity, and record accurate and factual details.
- Please note the difference between your opinions and judgmental observations.
- Never mention other vendors or companies by name when using examples.

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### PART III: CONDUCTING THE AUDIT

There are always differences among vendor companies, products and services. This section is a general outline of the audit path. Please refer to the formal criteria published in the C.A.S.E. Policy and Procedure Manual. (P&P 3-5-0)

Become prepared to verify that the vendor is in compliance with applicable regulations and quality standards by which they are governed. Review any standards that apply **before** the audit date. Be prepared with information to guide you in auditing special processes. Interview personnel and review any documents furnished to you by the vendor or the database regarding the vendor's capabilities.

Send the applicable C.A.S.E. standard to the vendor several weeks before the audit is scheduled to take place. Schedule the audit. Use the C.A.S.E. checklist appropriate for the type of vendor or supplier. It is to be a guideline and also a written record of conditions found and discrepancies to be corrected. Promote improved safety, quality and ensure compliance with all regulatory requirements. Assist with the compliance of all requirements where necessary

#### INTRODUCTORY MEETING

- This meeting is used to establish rapport, exchange business cards and state the purpose of the audit.
- Explain C.A.S.E. and its benefits, history, membership, training and certification of auditors.
- Explain that C.A.S.E. standards exceed FAR requirements and why.
- Review the scope of the audit and any personnel to be audited / interviewed.
- Confirm your schedule and make sure you are aware of the vendor's daily routine.
- Review any prior discrepancies, if applicable.

#### CHECKLIST

- Follow checklist order or an order that makes sense to answer all the checklist items; i.e. production example: begin in receiving and proceed through production, then ending with shipping.
- Avoid becoming predictable, change techniques as necessary.
- Answer all the checklist items even if the answer is "not performed".

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### AUDIT

- Take a quick tour of the area to be audited. This helps you get your bearings and better understand the overall scope of the audit.
- Complete the audit.
- Verify all information as required. **REMEMBER ALL MEMBERS REQUIREMENTS (SEE APPENDICIES WITHIN THE P&P MANUAL)**
- Details of and observation or finding should always be documented at the time it is discovered.
- Avoid becoming predictable, change techniques as necessary.
- Select your own samples from files or different stages of work/manuals etc.
- Try to be random. Group some items in each sampling.
- Compare what is required to what is being accomplished.
- Focus on key indicators and watch for trends.
- Ask questions and clarify gray areas.
- Call it as you see it and share your knowledge.
- Always consider security/safety as well as quality.
- Be selective in gathering data and **verify all** data.

### AUDIT CONCLUSION

- Explain to the vendor any findings, concerns and provide CFR and other references to support each item.
- Make sure that the vendor understands the findings and offer ideas that may promote corrective action.
- Obtain an agreement on corrective action and a date of completion.
- Discuss all positive aspects of the audit and facility.
- Share your knowledge and assist with the compliance of requirements to promote quality and safety.
- The vendor should understand his status as to C.A.S.E. requirements. Did he meet the Standard? Will he be placed in the C.A.S.E. Register provided acceptable correction is received by due date as agreed in the de-brief?
- If the company is to be removed from the C.A.S.E. Register for cause, give an explanation. Also, explain to the vendor what he must do and must take place before he can be returned to the Register.
  - Explain the vendor appeal process.
- If the company is to be updated in the Register, have an "Officer of the Company" sign a copy of the Vendor Expectations and Limitations Letter (CACS-7) (Note: This is an excellent time to explain the "endorsement/ approval" statement and that advertising with regards to C.A.S.E. is not allowed).
- Keep this original letter until all corrective action has been received. At such time sign the letter and forward a copy to the vendor and place the original in your file.
- Graciously thank the vendor for his time and assistance and leave his place of business.
- Retain a copy of all records and correspondence.

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### AUDIT REPORT

- Even though you have verbally communicated the discrepancies found, it is only right that the vendor receive from you a written report.
- While the format of the report may vary among companies, it should be concise and to the point with the discrepancies found.
- It is advised to reference the discrepancy noted. Utilize your standard, CFR's, CAR's, and industry standards.
- The vendor must report back regarding corrective action, planned action to ensure the item remains corrected, notation of the root cause of the problem and plans for preventive recurrence. This must also be accomplished in a timely manner. If circumstances dictate, the vendor must inform you of necessary extensions. You are the approver and may grant extensions within reason.
- When you are confident that the actions needed to correct discrepancies have been implemented and are effective, close-out the audit and update the C.A.S.E. Register for that vendor.
- After sending the Transmittal for an UPAUD, e-mail the General Manager at [999christy@av-info.com](mailto:999christy@av-info.com) the following documents in PDF:
  - Air Agency Certificate
  - Ops Spec. Part A Table of Contents
  - Ops Spec A-001
  - Ops Spec A-003
  - Ops Spec A-004
  - Ops Spec A-007
  - Ops Spec A-449 or registered program letter
  - Ops Spec Part D Table of Contents
  - Ops Spec D-100
  - Transport Canada AMO (if applicable)
  - EASA Certificate (if applicable)
  - Signed and completed CACS-7

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### PART IV: AUDIT AIDS

#### AUDIT CHECKLIST

##### *Acquire copies of:*

- Air Agency (Repair Station) Certificate
- Full Operations Specifications (minus A002 definitions) (foreign vendors exempt)
- EASA Certificate (if applicable)
- Organizational Chart

##### *Need to review:*

- Company Repair Station and Quality Control Manuals or foreign equivalent (**before the audit**)
- Roster and employment summaries of management, supervisors and inspectors (Return to Service)
- Stamp log and stamp control program
- File of previous C.A.S.E. audit findings and corrective actions, if applicable. (Including last CACS-7)
- Training records
- Internal audits and schedules (view corrective actions)
- Sub-contractor listing, audit and control procedures
- Six completed work packages
- Special processes certifications (NDT, Welding, Plating, etc.)
- Scrapped parts program
- Tool Calibration System
- RII rosters and airline manuals control procedures.
- Technical Data, manual revisions, control and monitoring.
- Shelf life listing and monitoring programs.
- Facility Safety documents (Fire, Security, Hazmat handling)

##### *Tour:*

- Shipping and receiving
- Stock room and shelf life items
- In-process work area(s)
- Special process areas
- Final test
- Final inspection
- Scrap/bonded area
- Tool calibration
- Technical library and manual/document control system
- Facility and security

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### *Post audit:*

- Compile audit findings with references.
- Write to the vendor identifying findings with references. Provide due date.
- Request corrective actions, if applicable
- Complete (left side) and explain the Vendor Expectations and Limitations Letter CACS-7. If Standard is in compliance, complete the form entirely.
- Submit C.A.S.E. Database Transmittal and fax certificates to Database.
- Finalize compiling audit material for Vendor File

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### IN-BRIEF SAMPLE - AIR CARRIERS

**C.A.S.E.** stands for Coordinating Agency for Supplier Evaluation. This agency was established by the aerospace industry in 1963. By 1982, air carriers saw the need to become part of the organization and soon after the Air Carrier Section was formed.

Currently, there are #\_\_\_ member airlines benefiting from your service, out of #\_\_\_ Sustaining and #\_\_\_ Associate members.

C.A.S.E. prepares experienced member airline auditors with initial and recurrent training on the CASE Policies and Procedures, and the applicable standard which they will use during the audit. In order to maintain their certification under C.A.S.E., auditors must undergo recurrent training and performance evaluations.

The **FAA has accepted** the C.A.S.E. organization and its shared audit methods as a mean of compliance with the surveillance requirements of 14 CFR 121.373. **Audits conducted** by a C.A.S.E. Level III auditor in accordance with the C.A.S.E. Standards result in more uniform quality audits and provide Air Carriers the means of sharing the audit burden with other member Carriers. **Because of C.A.S.E.** you as a vendor will enjoy a significant reduction of on-site visits.

**Our audit today** will be conducted in accordance with the C.A.S.E. 1-A Standard, which is designed to exceed CFR regulations. The following areas will be covered:

- Certifications
- Quality Programs
- Inspection Programs
- Personnel
- Technical Data Program
- Shelf Life Program
- Calibration Program
- Training
- Housing and Facilities
- Safety, Security and Fire Protection
- Storage
- Work Processing
- Shipping
- Scrapped Parts Program
- Drug and Alcohol Program

**Upon completion** of our audit we will discuss with you areas needing correction and concerns that we may resolve during the out-briefing. **If it is determined** that your facility satisfactorily complies with all requirements set forth in the C.A.S.E. 1-A Standard, then your repair station may be entered or remain in the C.A.S.E. Register. If not, you will be offered the right to appeal the auditors' decision. Air Carriers that are members of C.A.S.E. will have ready access to the vendors' status.

**Audit Particulars:** This audit will take most of the day. When you are to take your normal breaks or lunch, I will also break. Are employees in this facility represented by a Union? I do not intend to disrupt or interfere with you, your personnel, or any of your operation. Please operate as normal and let me know if I'm in the way.

**May I tell you more?** Do you have any questions for me regarding the C.A.S.E. Organization? If not, let's determine a starting point for today's audit.

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### EIGHT QUESTIONS

*These eight questions are offered to assist you when facing an ethical dilemma:*

1. Have you defined the situation accurately?
2. How would you define the problem if you were a Customer? Vendor? Competitor? Citizen?
3. Where is your responsibility as an individual? As a member of the C.A.S.E. Organization?
4. What is your intention?
5. What are your alternatives?
6. What are the likely consequences?
7. Are you confident that your position will be as valid over a long period of time as it seems now?
8. Would you disclose without qualm your decision or action to your Boss? CEO? Board of Directors? Family? Society?

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### EXAMPLE OF VENDOR AUDIT REPORT

Your Company Name

Date

Company

Quality Department Management

Street

City, State, ZIP

Dear Quality Department Management:

On date XYZ, COMPANY conducted a system/process audit of your facility. An audit is only a sampling examination to verify compliance with a specification or requirement. It is not an in-depth inspection. Management is expected to use the audit findings as indicators of possible problem areas or of inadequate procedures or controls. Management should conduct its own in-depth examination to determine the extent of problems and their root cause.

The attached page(s) list the discrepancies found by the audit. Please reply by DATE in writing to AUDITOR describing in detail:

1. What action or planned action was taken to correct the findings reported.
2. What action or planned action was taken to assure that similar findings do not exist or were corrected in areas that were not reviewed during the audit.
3. The root cause of the problem and what action or planned action was taken to prevent recurrence of those files.
4. Date of corrective will be completed by.

If I can be of any assistance, please call me at AUDITOR PHONE NUMBER.

Send reply to: XYZ Company

Auditor

Address

Respectfully

AUDITOR

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### **V. ADDITIONAL INFORMATION**

#### **SOME LEGAL NOTES**

The following information has been provided for review by personnel engaged in vendor surveillance. This has been provided for planning purposes only. Always consult with your company's legal department to always make sure you are aware of constant changes in this area.

##### ***Antitrust Law***

Federal and State antitrust laws are complex. Their premise, however, is simply that the economy and the public will benefit most if businesses compete vigorously and free from unreasonable restraints. Under regulation, the Civil Aeronautics Board had the power to grant immunity from the antitrust laws. However, the Airline Deregulation Act of 1978 changed the standards for grants of immunity by the government and many industry programs have lost immunity. As a result, more than ever before, airlines and their management personnel are subject to antitrust prosecution for anti-competitive facts.

##### ***Relations with Competitors***

The primary antitrust statute, the Sherman Act, prohibits conspiracies and understandings that would unreasonably restrain trade. In practical terms, this means that no C.A.S.E. Auditor should engage in any course of conduct which could give rise to an interference of any understanding, whether formal or informal, with any competitor about prices or competitive matters of any kind. Do not be misled into thinking that the prohibited understandings relate only to formal documents signed by the parties. A conspiracy may be found to exist where it is shown that there was any kind of mutual understanding which gave the parties a basis for expecting that a business practice or decision adopted by one would be followed by the other.

#### **OTHER ANTITRUST LAWS**

In addition to the antitrust requirements of the Sherman Act and the Federal Aviation Act, C.A.S.E. Auditors should also be familiar with the following:

##### ***The Clayton Act***

The Clayton Act makes illegal a number of practices done by a seller acting alone if the practice "may" substantially lessen competition or tend to create a monopoly.

##### ***The Robinson-Patman Act***

The Robinson-Patman Act prohibits price discrimination by sellers if it may substantially lessen competition or tend to create a monopoly, or injure, destroy or prevent competition among sellers, buyers or their customers. It also prohibits buyers from knowingly inducing or receiving an unlawful discriminatory price.

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### *The Federal Trade Commissions Act*

This act prohibits all “unfair methods of competition in commerce” and “unfair or deceptive acts or practices in commerce”. This prohibition has been held to include a combination of or conspiracy between competitors to hamper or obstruct the business of rivals; false or misleading advertising; concerted refusal to where the effect is to suppress competition; combination and conspiracy to obstruct a competitor’s source of supply. The act is not applicable to airlines but may be applicable to other corporations. If you are in doubt about a particular practice or transaction, consult your C.A.S.E. Level IV Evaluator and, when necessary, a representative of your legal department.

### *Foreign Corrupt Practices Act*

The Foreign Corrupt Practices Act of 1977, which is part of the federal securities laws, has significantly expanded the authority of the federal government to deal with improper business practices and, perhaps more significantly, to determine just what constitutes such improper practices. In view of the broad reach of the Act, it is important that the C.A.S.E. Auditor have a basic understanding of this law. The act deals principally with three areas:

- Record keeping
  - Internal controls and
  - Prohibited foreign activity.
1. Record Keeping Requirements:
    - i. Companies subject to the Act are required to make and keep books, records and accounts which, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets of the company.
  2. Internal Controls Provision:
    - i. This portion of the Act requires companies to devise and maintain a system of internal accounting controls.
  3. Prohibited Foreign Activity:
    - i. This portion of the Act makes it a criminal offense for any U.S. business to offer a bribe, directly or indirectly, to a foreign official or foreign political office for the purpose of obtaining, retaining or directing business to the company or to another person. This highly publicized provision carries with it fines of up to \$1 million for a violation.

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### THE AUDITOR'S CODE

- The Auditor is a mature professional, extremely well-qualified in his specialty and related fields. He keeps abreast of his field and the "state of the art". The Auditor's approach emphasizes assistance to the audited unit.
- The Auditor is objective and establishes a rapport that gains the trust and respect of all people with whom he/she deals.
- The Auditor has the "big picture" and relates his findings to it. Since he deals in facts, he is not swayed by half-truths, distortions or specious reasoning. He firmly threads any verbal maze to get at facts. With tact and reason he appraises each situation using thorough and logical analysis. He aims to see how well the unit accomplishes its mission; how well it attains what present policy and procedures say it should.
- The Auditor teaches as he audits. His methods assure that as a supplier representative is audited, they gain an understanding of what is wrong and how to make it right.
- The Auditor looks beyond deficiencies to their causes. He explains these causes thoroughly, so action can concentrate on them; rather than on the deficiencies they spawn.
- The Auditor speaks and writes clearly. His briefings, during and after the audit, encourage discussion that enables others to see the deficiencies and their cause from every side; then when he sits down to write, his report will be clear and concise. What's more, it will follow his briefings closely and contain no "surprises" for the Manager.
- The Auditor is incorruptible – a person of his word. He puts facts in proper perspective, shunning any philosophizing or rationalizing.

### SAMPLING

- Select your own samples from files or different stages of work. Try to be random. Group same items in each sampling. Avoid walking through facility multiple times. Organize your tour at the start of the audit.
- To figure non-compliance with sampling systems:

Sample	Size Probability
1	50 %
2	75 %
3	88 %
4	93 %
5	97 %
6	98 %
7	99 %