

IS-BAO Policy

Policy 2010-5

Subject: Management Company IS-BAO Registration

Effective: October 15, 2010

1. Purpose:

This policy provides guidance for IS-BAO registration of aviation management companies and their clients. Additionally, it provides guidance for the conduct of an audit of a management company and its clients.

2. Background:

Aviation management companies traditionally provide operational, maintenance, scheduling, personnel and administrative support to a company having one or more aircraft operated non-commercially for business or personal purposes. In many cases these are comprehensive operations in which the management company provides all services required to operate the client's aircraft, thereby relieving the client of most responsibilities for aircraft operations, with the possible exception of operational control.

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Additionally, there are management companies providing only limited support services to a client, leaving management and administration of the flight department to the client. These services may include scheduling, providing office and hangar space, aircraft maintenance, cleaning, aircraft movement and fuelling services, bookkeeping and personnel support. However, policies, standards and procedures used in the operation of aircraft and aviation personnel remain under the control of the client.

A number of management companies have approached IBAC with the desire to have their company and clients IS-BAO registered under the management company name. And, individual companies have already received IS-BAO registration under their company name while receiving limited support services from a management or aircraft services company.

3. Discussion:

Significant differences exist in State operating rules and recognition of management companies (including fractional ownership management companies), size and complexity of management companies, and differing levels of services or contract support required. However, IS-BAO performance-based

standards provide flexibility for a management company or owner/operator to define their method of conformance with the standards. Methods of conformance can include use of a management company for the conduct of flights, providing crewmembers and their training, and performance of maintenance, scheduling, and other services.

Company documents should clearly delineate the scope, accountabilities, responsibilities, processes, and procedures of the management company and of the owner/client. This should take into consideration State legal and regulatory requirements as well.

Large management companies, with clients based in multiple locations, must ensure that they have effective processes to ensure procedures are effectively implemented and followed at the respective locations. This can be accomplished through an internal audit program, or by external audits conducted by independent third party auditors.

The guiding principle regarding whether a management company or an individual operator receives the IS-BAO registration is that the organization accountable and responsible for ensuring conformance with the policies, standards, and procedures required to be in conformity with the IS-BAO standards, will be the named registrant.

4. Management Company Audit Policy

While the structure of IS-BAO is designed to accommodate the aircraft management company concept, several of the issues mentioned above must be considered when conducting an audit. These are not changes to the methodology set forth in the IS-BAO Audit Procedures Manual, but points of emphasis to be addressed when conducting a management company audit. Specifically, the following issues must be addressed during a management company IS-BAO audit:

Management company central operations

- Has the company established a management structure, oversight methodology and procedures that will accommodate the needs of all of their clients?
- Are the required accountabilities and responsibilities inclusive of all client operations clearly stated within the company operations manual, SMS and emergency response plan?
- Is there an effective internal evaluation program to ensure that all IS-BAO policies, standards and procedures are being performed adequately by all personnel?

Management Contract -- Does the management contract clearly define the roles and accountabilities of each party and require compliance with stated procedures

and provisions.

- How is the SMS managed at the management company and within each of the client locations? How is the SMS integrated between the management company and its clients?

Accommodating new clients – When a new client is received, what provisions are made to ensure that any new personnel are aware of the IS-BAO related systems, process and procedures? This will include indoctrination, training and verification of required knowledge.

Multiple bases – Are there methods for monitoring performance and conformance of all operating bases?

- How does the management company ensure that *all* operations are in compliance with applicable State of registry regulations and in conformance with IS-BAO standards and procedures?
- Are actions taken to rectify deficiencies noted during the internal evaluation process and conduct post implementation reviews?

Sampling – Personnel at a minimum of 10% of the management company clients should be interviewed to ensure adequate knowledge of and conformance with IS-BAO standards. If multiple bases are involved, these interviews should be conducted at the main base and no less than one satellite base. Management companies with clients at more than 4 satellites should have interviews performed with clients at following number of bases: 4-8 satellites – 2 bases; more than 8 satellites -- 3 bases.

Audit Report -- The audit report for a management company providing comprehensive services should:

- Clearly indicate the size and scope of operations and level of services provided.
- Comment on all of the features listed in the above bulleted statements.

5. Audit of an Operator that Uses a Management Company

Some operators that use a Management Company will apply to have a Certificate of Registration issued in their name only. In this case the operator is to be audited as any other operator, demonstrating in the process that it is accountable and responsible for the policies, standards, and procedures required to be in conformity with the IS-BAO standards. In this scenario the Management Company provides services only and the operator maintains accountability for all aspects of the operation.

Limited Support Management Companies. A management company providing limited support services (e.g., hangar services, ground handling, fueling, etc.) to an operator seeking IS-BAO registration does not necessarily need to be interviewed during an audit unless a question arises regarding the level, quality

or timeliness of support services provided that may affect the operator's IS-BAO program or the audit. However, the operator's procedures for overseeing support company functions must be included in their audit.

6. Policy for Issuing Certificate of Registration:

The Certificate of Registration is issued to the entity that has requested a verification audit by an accredited auditor as long as all requirements of the IS-BAO standards have been satisfied as provided for in the Audit Procedures Manual. The Certificate may also be issued in the name of both the Management Company and a client operator when conditions of the Policy are satisfied.

Three options are established for issue of an IS-BAO Certificate of Registration (C of R) to an aircraft management company

- a) Option 1 – C of R to the Management Company
This is the base case for an audit of a Management Company. If all requirements of the operation per Section 4 are satisfied the IS-BAO auditor may recommend issue of the C of R in the name of the Management Company.

- b) Option 2 – C of R to the Client Company Alone
This can be recommended by an IS-BAO auditor when the company flight department has assumed all responsibility for the operations and associated policies, procedures and documents. Services can be contracted to the management company but it must be clear in the company operations manual that the responsible persons and the safety policy remain with the client's organization.

- c) Option 3 – C of R in the Name of Both the Management Company and the Client
This can be done when the requirements of Option 1 have been met and one or more of the clients wish to hold a certificate with their name on it. In this case the client certificates will be issued with the same validity date as the management companies certificate and will be dependent upon the client's continued relationship with the management company. The IS-BAO Auditor may recommend this option based on the wishes of the Management Company and operator client when provisions of the IS-BAO are satisfied.
