

TxDOT Internal Audit
State Aircraft Pooling Board Operations (1202-01)
Special Audit Report

Introduction and Scope

This report has been prepared for the Transportation Commission, TxDOT Administration and management. TxDOT's Executive Director directed the audit on September 3, 2003 as a result of SAPB's execution of an Interagency Cooperation agreement with TxDOT on August 31, 2003 for 30 days. The agreement was reviewed and approved by the Attorney General's Office.

The audit objective was to document and evaluate the Pooling Board's current operations as an ongoing business enterprise with the understanding that those operations would become TxDOT's ongoing responsibility.

The audit was conducted by Roberto Manzo, Craig Easley, Kent Leipold, and Ismat Ashrafi of TxDOT's internal audit staff during September 8-20, 2003. Oversight for the audit was provided by Allen Barr, Auditor-In-Charge, under the general direction of Owen Whitworth, TxDOT Audit Director. All work was performed in accordance with the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors.

The audit documented and evaluated current SAPB operations, including identified risks and management controls. The focus of the audit was on SAPB operations during the 2003 fiscal year. The audit included certain tests and evaluations to assess the reasonableness of the current year revenue, expenditures, assets and liabilities. Audit work included background research of State Auditor reports, Comptroller recommendations, Legislative Appropriations Request, Annual Financial Reports, SAPB statutes, administrative rules and SAPB Board minutes, on-site interviews with SAPB staff, observations of daily activities, and discussions with TxDOT Aviation Division staff, as well as the examination of numerous policies, procedures, and other documents and records related to SAPB operations.

Opinion

We believe the SAPB's operations are in general compliance with the existing statute and other policies for their operations. We further believe that the SAPB is a viable ongoing business entity that provides passenger service to State officials on a cost recovery basis while performing maintenance and fueling services for other agencies at competitive prices. If legislation is enacted to transfer the SAPB's operations to TxDOT, we believe that transition can be accomplished without much difficulty. We believe that SAPB's operations should be evaluated over the next six months before making any significant changes in operations.

Of immediate concern are the billing rates for passenger services. Previously these rates were set to cover operating costs except those costs from the General Revenue Fund for aircraft purchases, facilities, and payroll additives. \$1,400,000 was appropriated during the 76th and 77th legislative sessions for aircraft replacement, but that amount has been expended as of August 31,

2003. The rate structures need to be adjusted to incorporate any of these costs to be paid from the State Highway Fund. The Fiscal Year General Ledger Trial Balance as of August 31, 2003 is included as Appendix A to this report.

An additional issue that the audit was to address was the use of the SAPB facilities for non State-owned aircraft. We interviewed staff and reviewed documentation to determine if that occurred. There was no evidence obtained that any major repair or maintenance activities had been performed on any non State-owned aircraft. Representative Pete Laney's personal aircraft had been provided fuel and hangar services on a number of occasions during the past year (\$6,783.50), which were paid by the House of Representatives. The SAPB Board had approved this activity, but no interagency agreement had been executed.

Background Information

The State Aircraft Pooling Board (SAPB) is governed by Chapter 2205, Government Code, through the voting three-member Board appointed by the Governor, the Lieutenant Governor, and the Speaker of the House of Representatives. Additionally, one non-voting member is designated by the General Services Commission (now the Texas Building & Procurement Commission), and one non-voting member is designated by the State Auditor. The Board is currently chaired by Mr. Billy Clayton. It was assumed during this Special Audit that the Board's responsibilities would be transferred to the Texas Transportation Commission if legislation is enacted for that transfer. The SAPB executive director's responsibilities were effectively transferred to TxDOT's Aviation Division Director upon execution of the 30 day interagency agreement ending September 30, 2003 (unless extended), since no additional funds were appropriated for the SAPB beyond August 31, 2003. Flight operations by the SAPB were suspended on August 31, 2003 by legislative request pending receipt of reports to be provided by TxDOT. TxDOT's Executive Director forwarded a report to the Speaker of the House of Representatives, the Transportation Commission, and others by letter dated September 15, 2003, regarding the feasibility of continuing State operated air transportation services for State officials.

The SAPB's appropriations for Fiscal Year 2003 were \$3,119,738, with appropriated receipts from operations and interagency contracts generating the sources of funding. Other estimated available appropriations also included unexpended balances from prior years (appropriated receipts \$970,000, and aircraft purchases \$1,200,000). Forty-one and one-half Full-Time Equivalent (FTE) positions were authorized; however, the current staffing level had dropped to about 26 FTEs due primarily to the uncertainty of continued operations as a state agency. The SAPB is currently organized into three departments: Administrative Operations, Flight Operations, and Maintenance Operations; with each unit headed by a director. The former SAPB Executive Director also functioned as the agency's Chief Financial Officer, who was unavailable for consultation during the audit.

The SAPB currently operates a fleet of nine twin engine aircraft for passenger service of State officials and two single engine aircraft for special operations. Major maintenance services are

provided for these aircraft as well as twenty-seven other aircraft belonging to the Department of Public Safety, Parks & Wildlife Department, Department of Criminal Justice, and the University of Texas. Fueling services are also provided to the National Guard for their aircraft operations.

The SAPB facilities are located at Austin-Bergstrom International Airport on approximately 13 acres of fenced property leased to the State by the City of Austin for 99 years at a cost of \$13.00 per year. The hangars and office complex were constructed by the State, and include SAPB staff, Parks & Wildlife staff, DPS staff, and University of Texas staff. Twenty-four hour a day 365 days per year security services are provided by armed DPS officers at no cost to SAPB. Currently, the Texas Building & Procurement Commission also provides the facilities, utilities, building maintenance and repair, etc., at no cost to the SAPB. Accordingly, the SAPB has not recovered these costs through its billing rate structure. The SAPB is required by Sec. 2205.040, Government Code, "...to adopt rates for interagency aircraft services that are sufficient to recover, in the aggregate and to the extent possible, all direct costs for the services provided, including a state agency's pro rata share of major maintenance, overhauls of equipment and facilities, and pilots' salaries." The SAPB Board approved its current rate structure in its August 8, 2001 meeting (as shown in Appendix B). The Board has attempted over the years to recover most of its operating costs while maintaining billing rates to its customers at 30%-40% below market. The costs of services currently provided by the Department of Public Safety and the Texas Building and Procurement Commission to the SAPB are unknown to SAPB staff. Additionally, the SAPB has requested an exemption from the Legislative Budget Board by letter dated April 8, 2002, and from the Comptroller by letter dated December 18, 2002, for a waiver of payment under the Statewide Cost Allocation Plan set out under Sec. 2106, Government Code, estimated at \$518,031. No response from either party has been received.

Detailed Observations and Concerns/Issues

No. 1: Procurement Activities

The current process is adequate, well understood by the employees involved, and provides an adequate audit trail. The process is not incorporated into any operating procedure manuals. Although manually intensive, the purchasing process is in accordance with the requirements of the Texas Building and Procurement Commission. In Fiscal Year 2003, the SAPB issued 1164 purchase orders to 204 different vendors. Almost 800 of the purchase orders were under \$500, and were primarily for aircraft parts. All maintenance inventory, work orders and purchase orders are recorded in the outdated Aircraft Maintenance System (AMS) inventory system (which is a DOS system). It is very limited in the information it can provide and does not interface with the other systems, although information can be extracted from the database. When the purchased items are received, the quantity and parts are verified against the purchase order. A copy of the receiving document is sent to inventory and to accounts payable. The purchased items and inventory items are available to the mechanics because access to those areas is not limited. Purchases of parts are not included in the inventory until the end of the month when the invoices are prepared for maintenance activities. The approvals and generation of the purchase orders were moved to TxDOT's Aviation Division after execution of the interagency agreement.

Concerns/Issues: One key individual signs the purchase requests, receives the inventory, and forwards those documents to Accounting for entries into inventory, payables, and billing. Management will need to make some decisions concerning the flow of documents (parts requests, work orders, purchase orders, invoices, etc.) since these activities will need to be transitioned into TxDOT's processes. Moving the purchasing process to the Aviation Division from SAPB staff initially added some time to the process and increased the repair time for unexpected repairs. SAPB has been authorized to re-stock their parts inventory to help reduce aircraft downtime. The current purchasing process is being evaluated to improve the timeliness for aircraft repairs. The security of the inventory will need to be addressed along with the updating of the automation processes.

No. 2: Current and Fixed Asset Information

We reviewed the reconciliations that were performed on the petty cash and travel advances. We verified a sample of the parts inventory list and full listing of fixed assets. Inventory is physically counted twice a year and the shrinkage rate is less than 1% of the total value. The inventory value of the parts and supplies for maintenance has decreased significantly. Most of the decrease can be attributed to the uncertainty of the agency's continued operations over the last six months. The property accounting inventory report listing all assets valued at \$500 or greater indicates a total acquisition cost of \$12,747,289.11 without depreciation. The twelve aircraft operated by the SAPB account for \$12,285,752 and the two recently purchased fuel trucks an additional \$134,349.00. The state owns 38 aircraft, but the asset list only includes the twelve planes used by the SAPB in its operations. According to the statute, the SAPB is the owner of the remaining aircraft which are leased back to those agencies for a nominal fee, since those entities acquired those assets through their own appropriations.

SAPB utilizes two stand-alone data systems to generate the billings for the receivables. The internal Flight Billing System generates the billings for passenger flights, but does not interface with the DIR/General Ledger. Entries must be made into that system after being generated from the Flight Billing System. We sampled the travel log information for completeness and accuracy, and traced it to the Flight Billing System. The billings for maintenance/repairs are generated from the stand-alone Aircraft Maintenance System for each work order (including parts), which also does not interface with the DIR/General Ledger System. Since the process is not well documented, we reviewed the process with the individuals involved. Currently the invoices for SAPB's services are mailed to the users once a month. The agency currently has a receivable value of approximately \$220,000 as of August 31, 2003. Of that amount, \$170,705 is within the thirty-day payment window. Most agencies receiving services are not contacted until 90 days has passed on the aging of the receivable.

Concerns/Issues: The current operations and procedures used are sufficient to meet SAPB's needs at this time. Accounts are reconciled and all items are reasonably accounted for. The parts inventory needs to be fully stocked to assist in aircraft maintenance and reduce some of the purchasing activities on a daily basis and aircraft down-time. Management will need to make some decisions regarding the inventory system and its compatibility with TxDOT's system. Additionally, decisions will need to be made on the accounting procedures to be utilized in order to merge those activities into TxDOT's Financial Information Management System. Finally, a

decision may need to be made about accounting for the other 26 aircraft not currently listed on the capital asset list of the SAPB. While the statute places custody and control of all state-owned aircraft under SAPB authority, title and ownership remain in the names of the agencies involved. Some of these aircraft are maintained at SAPB facilities, and others are maintained by the appropriate agency at other locations. Federal Aviation Administration (FAA) regulations require complete records for all repairs and maintenance, which is documented for the aircraft maintained by SAPB. The flight billing and accounts receivable procedures will also need to be documented.

No. 3: Facility Agreements and Lease/Purchase Agreements

The lease agreement between the City of Austin and the General Services Commission (now the Texas Building & Procurement Commission) was reviewed. The agreement for the land indicates that the property has been leased to the State for 99 years at \$1.00 per acre for about 13 acres (or \$13.00 per year). According to the agreement, the State must pay a fuel flowage fee assessed at 10 cents per gallon for the first five years of operation at ABIA airport, and may be re-negotiated after that period. The agreement states that, “The premises are being leased to Tenant for aviation related uses for State-owned and operated aircraft and attendant support activities for other government agencies.” The lease further stipulates that the State will comply with all requirements of the Bergstrom Agreement (between the city and the Department of Air Force, copy not obtained).

SAPB currently occupies the facilities (offices, terminal, hangars, fueling stations, etc.) rent free with utility services, building maintenance and repair services, telephones, etc., provided at no cost to SAPB. The SAPB facilities are owned by the Texas Public Finance Authority until the bonds are paid off. Additionally, the Department of Public Safety provides uniformed security services 24 hours per day for 365 days per year at the facilities to ensure that the State’s law enforcement aircraft are secure at all times. The three capital asset items purchased in 2002 (one aircraft and two fuel trucks) were obtained through lease/purchase agreements with the Texas Public Finance Authority. The aircraft was purchased at a cost of \$2,999,999 at a 5.5% interest rate plus a 0.5% Admin. rate for ten years. The two fuel trucks were purchased at the same interest rate on a seven-year basis for a total cost of \$134,881. By memo dated September 10, 2003, the Texas Public Finance Authority notified SAPB that the interest rate was reduced from 5.5% to 4.0% (plus 0.5% Admin. Fee) due to the bond market. Further, the payments will be made annually beginning on August 1, 2004, based on the revised amortization schedules. The Fiscal Year 2003 debt service payments of \$379,886.51 were confirmed through a review of the USAS transfers by SAPB on August 12, and August 18, 2003.

Concerns/Issues: None.

No. 4: Current/Long-Term Liability Information

One individual performs most all of the duties related to the accounts payable function, which is somewhat manually intensive. The process begins when that individual obtains the receiving documents. The copy is filed in a pending file until the invoice is received. When received, the invoice is matched with the purchase order and receiving documents. If a discrepancy occurs,

the item is discussed with the purchasing agent. When the review is complete, a purchase voucher is created and sent to Accounting for approval. The invoice is entered into the USAS system and the agency's DIR/General Ledger system after approval is received and it is manually logged into a tracking book for payments by document number. Payment documentation is received from the Comptroller and then checked against the tracking log.

The agency has several contracts for expenditures that occur during the fiscal year, and most are due on a monthly basis. A review is made after each invoice is received against the expected amount. A few of the purchases are open-ended because it is not known what quantity will be used (i.e., jet fuel and aviation gas purchases, and for environmental services). SAPB does appear to be able to fairly well estimate the amount of usage on the open-ended contracts based upon historical usage. State agencies are required to use the US Bank Voyager Fleet System credit card when purchasing fuel for state vehicles. An exemption has been granted to the SAPB for the purchase of fuel for aircraft. This was verified in a letter from the State Council on Competitive Government which was printed on the Comptroller of Public Accounts letterhead.

The agency's payroll process was also reviewed. Employee timesheets are completed monthly. Each timesheet is signed by the employee, with all approved leave attached. The approved forms are then reviewed by the Administration Director before the accounting individual enters the data into the Uniform Statewide Payroll System (USPS) for payment. Once the USPS reports are generated, the accounting individual will journal voucher the amounts into the old DIR/General Ledger system. The pilots do not complete timesheets because of their irregular hours, but do use the leave forms when they are not available for duty. All current SAPB employees are salaried. The total gross salaries for Fiscal Year 2003 were \$1,249,527.26. State paid retirement equaled \$67,113.00; OASDI equaled \$74,673.85; Medicaid equaled \$17,464.10. State paid health benefits equaled \$113,147.99 and the ERS fee of \$3.00 totaled to \$102.00. Accordingly, the total payroll costs for the fiscal year were \$1,546,028.20.

As noted above, the agency only has three long-term liabilities for the assets purchased in 2002. The aircraft and two fuel trucks were financed through the Texas Public Finance Authority through the issuance of variable rate bonds. The total remaining principle amount is approximately \$2,331,794. The semi-annual payments are being converted to an annual basis for future payments. Payment is made by an Interagency Transfer Voucher (ITV), and the payments are current at the end of Fiscal Year 2003. The current interest rates have been reduced to 4.0% with a half percent for administrative fees payable to the Texas Public Finance Authority.

Concerns/Issues: The payables process is well defined, but no written procedures exist to document the process. The process is time consuming with the entries being made in both computer systems, but it provides for a reconciliation process to detect errors. We noted that there is no back-up person to perform this function that keeps the separation of duties control from functioning. Clarification needs to be provided for the invoices that are being received for Fiscal Year 2004. The payment process should be easily incorporated into the TxDOT process once the information flow is understood by TxDOT personnel. Some training, and possibly

changes in procedures, may need to occur to fully transition the process into TxDOT's operations.

The payroll process is well defined but undocumented. The timesheets are rudimentary but effective for the SAPB. There will be a learning curve to adapt to TxDOT's timesheet and the attendant Salary and Labor Distribution system utilized by TxDOT. The integration of the process should not be too difficult once training has been provided to SAPB employees. We further noted that the General Ledger Trial Balance (shown in Appendix A) includes \$111,754.29 in the Reserve for Encumbrances. Discussion with SAPB staff led us to believe that this may need to be re-classified as a liability/expenditure, and further evaluation by TxDOT's accounting staff is recommended.

No. 5: Revenue and Rate Structure Information

Eleven active interagency contracts for the Fiscal Year 2004-05 biennium were reviewed, which had been approved by the Pooling Board during its June 9, 2003 meeting. The agreements were for aircraft leasing to other agencies, as well as aircraft maintenance/repairs, hangar space, and fueling services. In addition, one agreement with the Civil Air Patrol and one agreement with the National Guard had expired, and needed to be renewed as they are generating revenue for the agency. As we understand it, the aircraft lease agreements were for a nominal fee to comply with the statute since the aircraft had been procured by those respective agencies from their own appropriated funds (i.e., the Department of Public Safety, Parks & Wildlife Department, Department of Criminal Justice, the University of Texas, the Texas Forest Service, and A&M University). There is no revenue generated from the aircraft lease agreements, but a considerable amount of revenue is generated from the maintenance and fuel (ground services) agreements. This revenue, and that generated by the passenger flight operations, constitutes the majority of revenue for the agency. *Note: The revenue from the flight and maintenance operations was presented in Section 2 of the report regarding receivables.*

A number of interviews with SAPB staff were conducted in an attempt to understand the revenue and expenditure flow. Expenditure information for Administration, Fleet Operations, Maintenance, and Fuel & Oil were also reviewed as they are the primary components of cost for the agency. We also reviewed the independent spreadsheets for the Operating Budget, Income Statement, Expenditure Report, Aircraft Cost Analysis Report and Aircraft Utilization Report (to 7/31/03) maintained by the former Executive Director. The Fiscal Year 2003 General Ledger Trial Balance, and the last rate change approved by the SAPB Board on August 8, 2001 were reviewed as well. In reviewing the rate change information (included in Appendix B), we found that:

A. The flight operations revenue is designed to recover the following costs:

40% of Administration

Direct Salaries: Pilots, Scheduling and Flight Operations

Contract Labor: Co-pilots

Other Operating Costs: Fuel, Oil, Travel Expenses, Per Diem, printing, furniture/equipment, computer services, insurance, etc.

Internal Charges: Labor, Parts, Fuel & Oil from maintenance

B. The maintenance operations revenue is designed to cover the following costs:

35% of Administration

Direct Salaries: Mechanics, Parts Warehouse

Contract Labor: Mechanics

Other Operating Costs: Cleaning material, shop supplies, freight, insurance, etc.

Part/Purchasing: Parts

C. The Line Services operations revenue is designed to cover the following costs:

20% of Administration

Direct Salaries: Line personnel

Contract Labor: Line personnel

Other Operating Costs: Supplies/materials, furniture/equipment, vehicles, etc.

D. The Avionics operations revenue is designed to cover the following costs:

5% of Administration

Direct Salaries: Avionics, Parts, Supplies

Contract Labor: Avionics personnel

In reviewing the last rate change for aircraft operations in 2001, we had difficulty understanding “how” the rates were developed. We were informed that projected aircraft utilization (hours flown) is used to project anticipated revenue sufficient to cover projected flight operating costs as noted above. We were unable to verify some of this information because that information was prepared by the former Executive Director, Mr. Jerald Daniels, who left the agency on August 31, 2003.

As noted on the General Ledger Trial Balance (in Appendix A), Total Revenue from operations was less than Total Expenditures resulting in a deficit of \$664,230 for the fiscal year. The write-off for obsolete parts of \$119,328 and the Capital Equipment Expenditures of \$775,000 were the major causes of the deficit. We further noted that \$500,000 was transferred from the aircraft purchase appropriation for the budget reduction requested by the Governor. Additionally, an advance payment of \$242,194.02 was made on the new aircraft in August 2003, which has reduced the amount due in Fiscal Year 2004, and the remaining years.

In Fiscal Year 2004, the obsolete parts write-off should be minimal and capital expenditures/debt service should be reduced to approximately \$330,000 - \$350,000. The debt service payments for the aircraft and fueling trucks are shown in Appendix D. According to SAPB staff, passenger flight service tends to fall off during the year that the Legislature is in session, but tends to increase in the following year, which may explain some of the Fiscal Year 2003 deficit.

Concerns/Issues: The revenue from the interagency contracts with other State agencies, when combined with the passenger flight revenue, appear to generate enough revenue to recover the cost of most of SAPB’s operations as required in the existing statute. Additional revenue will

need to be generated to pay for the aircraft debt service or a like amount of cost reduction must occur. Also, SAPB's costs could increase dramatically if TxDOT is required to pay rent for the facilities, utility payments, building and grounds maintenance, telephones, etc., currently maintained by the Texas Building & Procurement Commission. Further information will need to be obtained to identify those additional costs in order to revise the current rates for full cost recovery. An additional option for consideration is the sale of some of the aircraft to improve cash flow.

No. 6: Information Technology Systems Information

We also inventoried the information technology systems being used by SAPB personnel. SAPB software is currently adequate for the business operations, but will need to be evaluated for integration with TxDOT's systems. SAPB has license agreements for twenty three different software programs, and there are license agreements for each. Currently, there are four active systems. Additionally, there is a database management system (*SQL*) that is being used to develop the new Aircraft Maintenance/Purchase Order/Inventory system. The users for each of the systems have been identified and access levels have been established based on job function. Included in the user privileges are the editing privileges.

The Aircraft Maintenance/Purchase Order/Inventory system is currently under development and is approximately seventy percent complete. The first module for the new inventory software is complete. Included in the module is the flight scheduling billing which tracks aircraft scheduling, miles flown and revenue for flight operations. The module for purchase orders, inventory control, work orders, accounts payable, aircraft maintenance records and fuel sales has been completed. Purchase orders and inventory have been tested in the new system.

The accounts payable module has not been tested. Work orders are ready to be tested, but the fuel sales and aircraft maintenance module have not been developed. SAPB follows the Department of Information Resources, (DIR) policies and procedures for the acquisition of software and hardware. There are no in-house procedures for the acquisition of software or hardware by SAPB.

The DIR/general ledger system is an old accounting system maintained by Northrop Grumman. The DIR/general ledger system is a remote access system operated from the West Texas Disaster Recovery Center.

The in-house scheduling system works appropriately for the APB with the current level of flights and passengers. The software used for scheduling of planes and passengers is user friendly which allows one individual to perform these functions.

The communication system, ARINC (Aeronautical Radio Inc.) is designed for air to ground communication. The main function of the avionics shop is to maintain, repair and install the communication and navigation equipment. Licensed personnel are required to perform these functions.

The Power Quote software is used to give quotes and flight times. The flight times include departures and arrivals for the State Aircraft Pooling Board automated system that tracks flight requests. SAPB has an efficient and user friendly automated flight scheduling system. The system is an in-house system that can be operated by one employee.

Concerns/Issues: SAPB could benefit from updated IT hardware and software. The inventory program is unlike any of TxDOT's software programs. The difference is based on the reporting requirements established by the FAA for all flight operations in the United States. Since the only cost is labor for the completion of the Aircraft Maintenance / Purchase Order /Inventory system, it would be cost effective to finish the project. The completion of the software package will be necessary in some form to meet FAA requirements for airplane operations. We recommend that the (DIR/General Ledger) system be maintained until an integration plan is completely implemented. Because the existing procedures are not documented, we believe that extensive interaction between TxDOT staff and SAPB staff will be needed to complete that evaluation. Currently, the DIR/General Ledger system reconciliation to USAS is not being reviewed and approved by personnel independent of the preparer.

In discussions with SAPB staff and DPS officers, we learned that a part of the security system at the SAPB facilities is in need of repair. Apparently there has been an ongoing debate between DPS and the Texas Building & Procurement Commission as to responsibility, which has not been resolved. Due to the sensitivity of law enforcement operations at that facility, we believe the repairs should be made so that all of the cameras, alarms, and access gates are fully operational. Estimates provided by SAPB's Director of Aircraft Maintenance indicated that the repairs could be accomplished for approximately \$25,000.

No. 7: Operating Manuals

The SAPB has considerable documentation for the procedures used in managing/administering the human resources function, including the following:

- Personnel Policies
- Employee Training Plan
- Employee Safety and Health Program

The policies and procedures appeared to be rather comprehensive for a small agency.

Other manuals identified include the following:

- Operation Manual for Aircraft
- Pilot Manual
- Organization Manual
- Disaster Recovery Plan

The Operation Manual for Aircraft includes the FAA regulations pertaining to pilot certification standards, medical requirements for pilots, operating and flight rules, training programs for pilots, and coordinated passenger scheduling. The Pilot Manual deals with pilot scheduling, flight operations, fuel purchasing, overnight trips, crew resource management, computer training for pilots, and use of a Minimum Equipment List by the pilots. The organizational manual contains the organizational chart, and lists the responsibilities of the Board, responsibilities of

the Executive Director, SAPB staff positions, job descriptions, and the Code requirements describing the different job functions. The Disaster Recovery Plan provides procedures to follow during or immediately after a disaster.

Concerns/Issues: The SAPB has a performance evaluation process in place, but the Fiscal Year 2003 evaluations were not done. There will need to be some training conducted with the SAPB employees to become familiar with TxDOT's policies/procedures if the transfer is enacted by the Legislature. As requested by the audit team, TxDOT's Aviation Division Director also provided a document regarding key personnel that should be retained, if at all possible, to ensure the continued efficient operation of the flight and maintenance services. This is included as Appendix C in the report.

No. 8 Performance Measures Information

We interviewed the appropriate personnel, reviewed the quarterly performance measures report to the LBB, reconciled the performance for Output/Efficiency Measure report with the Aircraft Utilization Report, and reconciled performance of work orders completed to the manual system of work orders completed. The performance measurements are hours aircraft are flown, number of flights and work orders completed, which are outlined in the last appropriation bill. The performance measurements were reconciled without exception.

Closing Comments

The audit team is sincerely appreciative of the assistance provided during this special audit by the State Aircraft Pooling Board staff and Aviation Division staff. We were required to review and evaluate a considerable amount of information in a short period of time, and could not have done so without their cooperation and assistance. We were also impressed with the dedication and professionalism of the SAPB staff during this audit, and the audit team would feel confident in flying anywhere on their aircraft at this time.