



*Internal Audit Report*

LCPA Operations & Safety Department



**Report Number:** 2017.11  
**Date:** November 27, 2017



## Audit of LCPA Operations & Safety Department



To: The Honorable Linda Doggett, Lee County Clerk of the Circuit Court & Comptroller

From: Tim Parks, Chief Internal Audit Officer/Inspector General

Date: November 27, 2017

Re: Audit of LCPA Operations & Safety Department

Dear Ms. Doggett

The Inspector General Department has conducted an audit of the Lee County Port Authority Operations & Safety Department. Cynthia B. Ralph, CIA, Internal Auditor completed the review, with the assistance of Omar Costa, CPA, Internal Auditor.

This audit activity conforms to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and the Association of Inspectors General (AIG) *Principles and Standards for Offices of Inspector General (Green Book)*.

The audit client's response is attached to this report. We wish to express our appreciation for the cooperation and assistance provided us by management and staff during this review.

This report will be posted to the Clerk of Courts website [www.leeclerk.org](http://www.leeclerk.org) under Inspector General, Audit Reports. A link to this report has been sent to the Lee County Board of County Commissioners and appropriate parties.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Tim Parks".

Tim Parks, Chief Internal Audit Officer/Inspector General  
Inspector General Department

TJP/GK



# Audit of LCPA Operations & Safety Department



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# Audit of LCPA Operations & Safety Department



## Executive Summary

The audit of the Operations & Safety Department was included in the Lee County Port Authority's (LCPA) 2017 Annual Audit Plan. A risk assessment project was completed for all LCPA business units prior to creating the 2017 Annual Audit Plan. The Operations & Safety Department was ranked among the business units with the highest inherent risk factors.

The objectives of the audit included:

- Assess HMS Host (restaurant vendors) and Paradies (retail shops) contract compliance and the timeliness of their response to remediate exception situations.
- Verify that elevator and escalator incidents were reported within five working days to the Florida Department of Business and Professional Regulation (DBPR) per Florida Statute Chapter 399, Section 125.
- Validate the sufficiency of the process to track and review hazards as input to the safety risk assessment process.
- Assess the efficiency and effectiveness of the Irregular Operations Process (IROPS) to accommodate aircraft diversions into RSW per the Operational Instruction (OI) 1514 - Contingency Plan for Irregular Operations.
- Assess the effectiveness of the TRACIT program to identify areas in the terminal that need attention or upgrade and to ensure that the work is completed in a timely manner to keep the terminal in like-new condition.
- Verify compliance with three aspects of the current MBA Airport Transportation, LLC agreement:
  - Vehicle fleet composition
  - Taxicab rate quoted and charged was less than or equal to the Taxicab Zone Map on the LCPA website
  - Drivers met agreement requirements

A number of tests were performed, including:

- A review of the LCPA OIs for the policies and procedures for Emergency Planning, Airside, Landside, and Terminal.
- A review of the risk assessment and calculation of risk scores.
- Interviews with management and team members to gain knowledge of the processes managed and their opinions on the highest risk areas.
- Read articles and guidance to gain industry standards and best practices from sources such as the Federal Aviation Administration (FAA), the Airport Cooperative Research Program (ACRP), International Civil Aviation Organization (ICAO), the Airports Council International (ACI) and the Florida Department of Labor.



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- Obtain and review the FAA certification close-out letters for 2015 through 2017.
- Review incident report statistics and the source records in the ProDIGIQ system.

The highest risk area managed by the Operations and Safety Department is by far the airside activities. As such, we reviewed the results for the past three years (2015 - 2017) of the FAA's annual airport certification to determine compliance with 14 CFR part 139, the Airport Certification Manual, and the Airport Operating Certificate. Other than one discrepancy which was immediately corrected in 2015, the FAA each year has commended the Department for the effective day-to-day procedures being used in the operation of the airport. Due to these outstanding results rendered by the FAA, we chose not to duplicate these audit efforts.

Therefore, the focus of this audit was on the terminal and landside areas of responsibility. We offer recommendations to add value and potentially enhance the efficiency and effectiveness of the Department; as well as ensure compliance with laws and regulations.

## Background

The Airport Operations and Safety Department is responsible to maintain the requirements of the airport's operating certificate issued by the Federal Aviation Administration including compliance with local, state, and federal regulations, advisory circulars, and certification alerts. The team also oversees aircraft gate management, wildlife hazard management, general safety standards related to aircraft movement areas, ground transportation, parking, emergency management, landside, terminal, and airside activities. For the past three years RSW has passed the annual FAA certification with commendations on the effective procedures used in the day-to-day operation of the airport.

## Objective, Scope, and Methodology

The audit objectives and scope was based upon a risk assessment process and interviews with management.

The objectives were:

- Assess HMS Host (restaurant vendors) and Paradies (retail shops) contract compliance and the timeliness of their response to remediate exception situations.
- Verify that elevator and escalator incidents were reported within five working days to the DBPR per Florida Statute Chapter 399, Section 125.



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- Validate the sufficiency of the process to track and review hazards as input to the safety risk assessment process.
- Assess the efficiency and effectiveness of the Irregular Operations Process (IROPS) to accommodate aircraft diversions into RSW per the Operational Instruction (OI) 1514 - Contingency Plan for Irregular Operations.
- Assess the effectiveness of the TRACIT program to identify areas in the terminal that need attention or upgrade and to ensure that the work is completed in a timely manner to keep the terminal in like-new condition.
- Verify compliance with three aspects of the current MBA Airport Transportation, LLC agreement:
  - Vehicle fleet composition
  - Taxicab rate quoted and charged was less than or equal to the Taxicab Zone Map on the LCPA website
  - Drivers met agreement requirements

The audit methodology is comprised of four steps:

- Preliminary Risk Assessment: A meeting was held with management to discuss the audit objective and scope and to solicit information regarding risks.
- Planning: Audit procedures were developed based upon research, audit objective, scope, and the preliminary meeting.
- Field Work: Managers and employees were interviewed for insight on the operations. Evaluations and tests were conducted on operations and procedures to address and complete the audit fieldwork.
- Wrap-up: An Exit conference was held with management to discuss the audit results.

### Observations and Recommendations

#### *Deficiencies not remediated timely by HMS Host and Paradies*

LCPA entered into contracts to lease facilities to HMS Host (restaurants) and Paradies (retail shops) in 2004. The contracts are effective until 2023 and 2025, respectively. The lease terms include provisions requiring the lessees to maintain their facilities with regards to safety, cleanliness, regular maintenance, and repairs. As such, the Concessionaire's premises shall be maintained in a first-class manner. To verify compliance with these provisions the Terminal Manager established a quarterly concessionaire inspection process in April 2012. The Terminal Manager promptly notifies the local concessionaire HMS Host and Paradies Managers of the results of the inspections and requested remedies.



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There was a break in the quarterly inspection process from April/May 2016 until May/June 2017 because the vendors were undergoing reconstruction projects to fix the deficiencies.

Operations Terminal Management has been diligent in identifying and promptly communicating deficiencies to concession management. However, a review of the inspection reports from April 2014 through May/June 2017 revealed that identified deficiencies are not being addressed in a timely manner, and the trend has worsened over time. This situation was primarily caused by a deficiency in internal controls. Whereby, the policy to keep the concessionaire's premises in a first-class manner and the procedure of regularly inspecting these areas were not continuously evaluated to ensure the desired objective was met. This rendered the applicable contractual remedy ineffective.

During the three year inspection period an average of 40 HMS Host and 58 Paradies deficiencies were noted per inspection. Moreover, on average 34.4 percent of HMS Host's deficiencies and 52.8 percent of Paradies' exceptions were at least 90 days old (i.e. from a prior period's report). Despite having a year between the 2Q 2016 and the pre-announced Q2 2017 inspections to address outstanding deficiencies, problems more than doubled for both HMS Host (increased from 39 to 81) and Paradies (increased from 75 to 158). See Exhibit 1 for more detail in graphic and table forms. See Exhibit 2 for deficiencies open for two years or longer. Per local Paradies management, the tile floors have not been fixed for the past four years at one vendor site because their corporate office did not want to spend the money required to replace the broken tiles.

### Recommendation

We recommend that management evaluate its policies and procedures relative to the contracts. This will enable management to effectively identify and address operational deficiencies. Consider employing the lease agreements' remedy for addressing unremediated deficiencies, especially in situations that create hazards to employees and customers. The terms stipulate that if the concessionaire has failed to address deficiencies "after fifteen (15) days written notice to act", LCPA may undertake the repair or maintenance and charge the concessionaire a "reasonable cost of, or expenditure for, all labor and materials, plus a 50% markup to cover the Authority's overhead." In signing the leases both HMS Host and Paradies agreed to promptly pay the Authority for such work.

### *Some escalator accidents were not reported to State in a timely manner*

Sixteen samples from a universe of forty-six escalator and elevator accidents between September 1, 2016 and March 27, 2017 were selected to verify that they were reported to



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the DBPR within five working days as required by Florida Statute 399.125. Failure to timely file this report may result in a maximum fine of \$1,000 per incident.

Four of the sixteen incidents were not reported at all because it was believed that only those accidents that resulted in injuries must be reported. In these four cases the persons involved did not remain at the scene to claim there was an accident, damage, or injury. During the audit the Risk Manager spoke with a representative at the DBPR who clarified that regardless of whether a person receives treatment or not, if the airport witnesses a fall on an escalator it needs to be reported.

The LCPA attorney subsequently reviewed the Florida statute and concurred that all accidents should be reported regardless of whether the subject was identified or an injury occurred. The Risk Manager has instructed Operations personnel to complete an accident form for every elevator or escalator incident going forward.

Three (25%) of the twelve reports were filed late, at between seven and ninety-seven working days after the incident occurred, due to the ambiguity of what constitutes an accident/injury. Two of the three incidents were initially not reported at all, but they were discovered as a result audit sample selection. The reports were subsequently submitted to the state.

### Recommendation

Report each escalator and elevator incident to the Risk Manager in a timely manner, regardless of whether the subject was identified or an injury occurred. Work with the Risk Manager to develop a system to track and record the submission of each accident to the DBPR within five working days of the incident as required by Florida law.

### ***Hazard data is not easily identifiable or tracked to prevent future hazards or incidents***

Currently hazards are reported either in the ProDIGIQ Self-Inspection module or in Maximo as a work order if the Maintenance Department is responsible for addressing the hazardous situation. Although ProDIGIQ hazards are identifiable by the hazard event type, there is no means by which to identify and pull hazard records in Maximo. Therefore, there is no process in place to consolidate, review, do a root cause analysis, or take action to prevent similar hazards or potential future incidents. Per the FAA Safety Management System (SMS) Implementation Guide, Revision 3 for voluntary implementation, a key component of the Safety Risk Management (SRM) process is to identify and analyze hazards to control and mitigate safety risks.

### Recommendation





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Develop a means to easily identify all hazards reported and a process to regularly consolidate, review, analyze for root cause, and take action to prevent future potential incidents.

### ***Terminal Repair and Cleanliness Inspection Team (TRACIT) Process Effectiveness***

The Terminal Repair and Cleanliness Inspection Team (TRACIT) process was created in April 2012 to formally address areas of the terminal which were coming into disrepair. The overall purpose of this multi-departmental team is to oversee the cleanliness and repair of the terminal to maintain it in like-new condition by identifying areas that need improvement or refurbishment and tracking those work projects from creation to closure. The team is led by the Terminal Operations Manager and includes members of the maintenance and contracts departments, as well as representatives of the Triangle Cleaning vendor. This process is in addition to daily terminal walk-throughs by Operations Duty Agents.

The TRACIT team meets bi-monthly for two hours with one hour devoted to review the status of outstanding and closed work orders from previous inspections and one hour to conduct the designated terminal area inspection. The Terminal Operations Manager creates a new work order for each new deficiency identified which includes photographs of the exception condition to supplement the work order textual description.

Since January 2016 the TRACIT process has shown trends in both the declining age of the outstanding work orders and an increasing rate of work order closure. One recommendation was noted which may improve the effectiveness of the TRACIT process and the overall like-new condition of the terminal.

### **Recommendation**

The TRACIT process should be revised to include procedures (e.g. documenting identified issues by the Maintenance Dept.) that enable a collaborative effort with the Maintenance Dept. This particular department has a greater exposure to the terminal facility than the Operations Dept. Therefore, the Operations Dept. should at a minimum offer the Maintenance Dept. a cross departmental training to include: deficiency detection, reporting, and inspection skills. If practical, this curriculum may be extended other departments.

### ***IROPS event actions did not always coincide with OI-1514***

The LCPA assists aircraft that are unable to fly into their designated destination due to adverse weather conditions or other unplanned conditions (irregular operations or IROPS). The affected aircraft are allowed to divert to RSW. RSW is one of the airports within the State of Florida which receives the highest number of diverted flights, both domestic and



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international. IROPS caused by bad weather occur mostly during the summer rainy season in southwest Florida.

We selected the first three IROPS events to occur during the current period to test application of Operational Instruction (OI)-1514 for the efficiency and effectiveness of the operation. The IROPS occurred on May 24-25, 2017 (nine aircraft), June 2, 2017 (fifteen aircraft) and June 5-6, 2017 (six aircraft).

Although RSW attempts to accommodate as many diverted aircrafts as need such an arrangement, OI-1514 states that RSW "... is a prior permission required (PPR) facility as published in the Airport Facility Directory (AFD). As such, the Port Authority is able to reasonably accommodate and handle up to twelve (12) diversions without prior permission. Other than an ...emergency... any additional diversions will require prior permission." On June 2, 2017, fifteen aircraft, none of which requested or obtained prior permission landed at RSW. Unfortunately, the Operations team has little control over which flights arrive and when. Management added this PPR verbiage to OI-1514 and to the contingency planning document that was submitted to the DOT in an effort to prompt operators to provide advance notice of their arrivals. However, there is no mechanism to enforce such a requirement.

One of the key regulations is the Department of Transportation (DOT) regulation #199-09 which prohibits airlines from keeping domestic flight passengers in an aircraft on the tarmac for more than three hours without deplaning passengers. International flight passengers may not be kept on-board on the tarmac for more than 4 hours. While none of the IROPS aircraft exceeded these times, there is a requirement in OI-1514 that states that "for on-board delays longer than 90 minutes or when 10 or more simultaneous diversions are occurring, the Airport Coordination Center will be activated to Level 2. One of the three IROPS events tested (June 2, 2017) had two aircraft with passenger on-board tarmac times of greater than 90 minutes, yet the Airport Coordination Center was not opened.

According to Operations and Safety Management, "the reason that it was not activated was because all of those flights were actively being attended to or awaiting departure and none ... were deemed to be in danger of exceeding the established DOT parameters. In addition, management staff was present and aware of the situation. It is important to note that the OI is used as a guideline and that not all aspects will be utilized for every situation."

### Recommendation

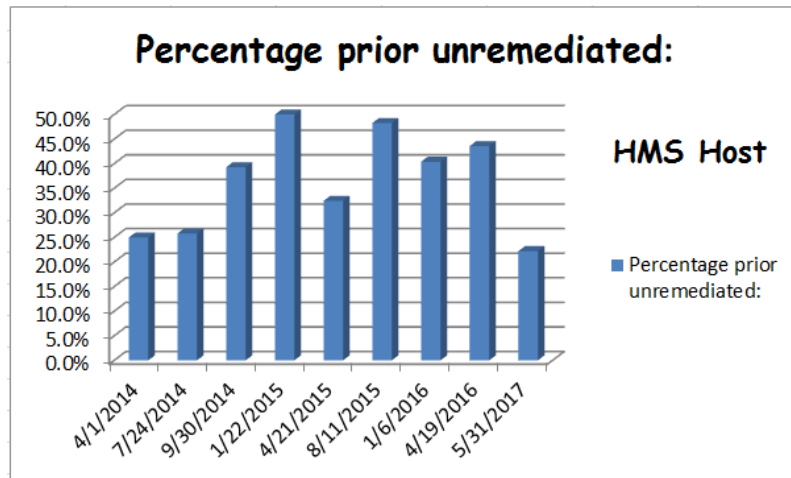
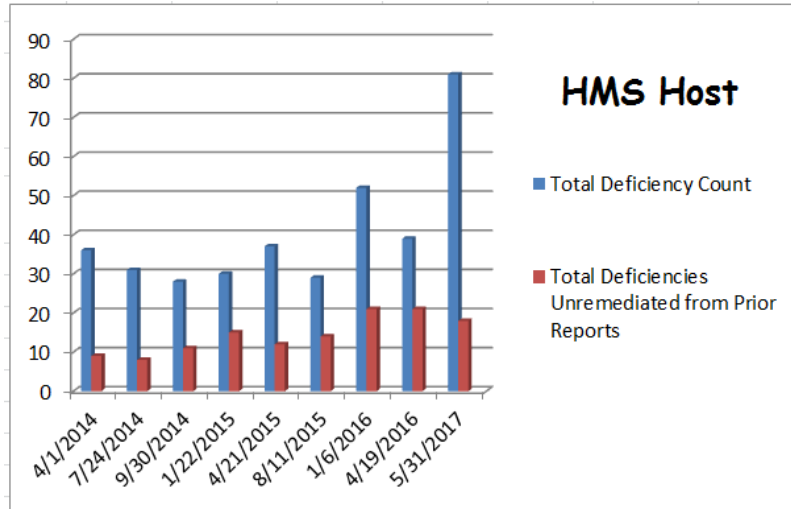
Review OI-1514 for all instances in which the direction is guidance to consider versus actions that must be taken, and update the OI as needed. At a minimum change section D, #2 from "the Airport Coordination Center will be activated to Level 2" to "...may be activated...".



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**Exhibit 1: HMS Host & Paradise Concession Deficiencies**

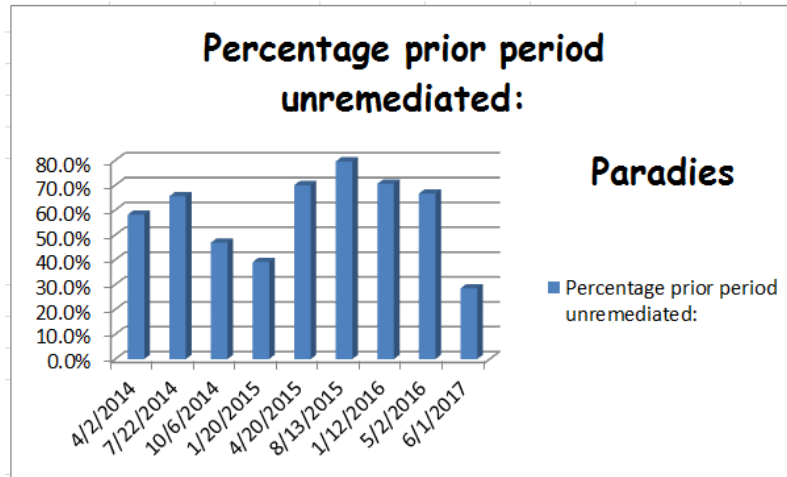
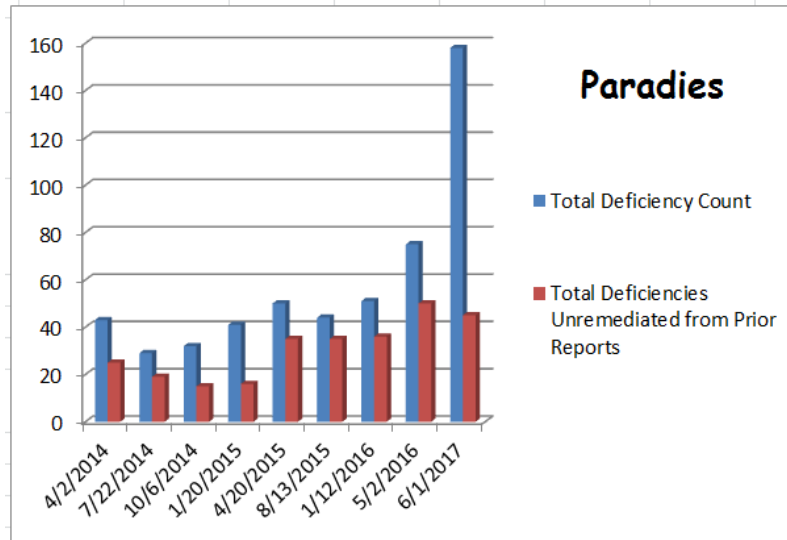




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**Exhibit 1: HMS Host & Paradies Concession Deficiencies (continued)**





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## Exhibit 2: HMS Host & Paradies Concession Deficiencies Details

HMS Host & Paradies: List of Deficiencies by Days Open IF Open 2 years or Longer - Longest to Least as of May 31/June 1, 2017 Still OPEN as of May 31/June 1, 2017:				
Count	Mgmt	Vendor	# Days Open	Deficiency Detail
1	Paradies	A Day at the Beach - D	1,479	Throughout concession - multiple tile deficiencies
2	Paradies	PGA - Center	1,367	Throughout concession - wood cabinets sustaining damage
3	Paradies	Dunkin Donuts - West	1,156	Ceiling tile frame becoming discolored
4	Paradies	CNBC News - B	1,156	Right rear - 1 floor tile cracked
5	Paradies	Dunkin Donuts - East	1,045	Behind condiment bar - wallpaper peeling
6	Paradies	PGA - Center	969	Throughout concession - multiple floor tile deficiencies
7	Paradies	Coastal Center News - Center	863	Under magazine rack (back right) Missing piece of Formica
8	Paradies	Beaches Travelmart - East	863	Rear - walls of t-shirt displays contain tape and residue
9	Paradies	Beaches Travelmart - West	863	Rear - 1 recessed light off-set
10	Paradies	Beaches Travelmart - West	863	Rear - Velcro on walls surrounding beverage coolers
11	Paradies	Dunkin Donuts - West	863	Pick-up counter - 2 cove base tile broken
12	Paradies	CNBC News - B	863	Rear center - 2 floor tiles with a hairline crack
13	Paradies	The Shell Factory - C	863	Left of entrance - thin-set visible possibly where cove base tiles were located
14	Paradies	Beaches Travelmart - C	863	Throughout concession - ceiling vents stained
15	Paradies	Beaches Travelmart - C	863	Throughout concession - ceiling tiles dirty
16	HMS Host	Beaches Boardwalk Café - B	860	Front of concession - chair seat cushions damaged
17	Paradies	PGA - Center	773	Rear left - dressing room door scuffed
18	Paradies	Dunkin Donuts - West	773	Cash wrap - paint peeling

**MEMO TO:** Tim Parks  
Chief Internal Audit Officer  
Inspector General Department

**FROM:** Gary Duncan  
Deputy Executive Director, Aviation



**DATE** October 23, 2017

**SUBJECT:** Audit of LCPA Operations & Safety Department

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Thank you for the opportunity to review the audit report written by Cynthia B. Ralph titled *LCPA Operations & Safety Department, Report # 2017.11 dated August 1, 2017*. I found the report to be thorough and well-written. I offer the following responses to the noted observations and recommendations.

#### **HMS Host & Paradies Shops Inspections**

The purpose of the HMS Host and Paradies Shops inspections was to go beyond the basic requirements of the concessionaire agreements and to encourage voluntary remediation of any cosmetic defects so as to maintain a high level of aesthetically pleasing concessions. Of the list of unremediated deficiencies exhibited in the audit, none were categorized as situations that created hazards to employees and/or customers. Each of the deficiencies was cosmetic in nature and we anticipate many, if not all, will be remedied in the upcoming refurbishment programs being undertaken by both concessionaires. Our Terminal Operations Manager will continue to inspect the concessionaires on a quarterly basis and will continue to work collaboratively with HMS Host and Paradies Shops to address any deficiencies as they arise. Any leasehold item that may be deemed a safety concern will require an immediate repair as has been the case from the beginning of the lease. All deficiencies found during an inspection, regardless if they are a safety-related item or cosmetic, will also be forwarded to the LCPA Properties Director for his awareness. In addition to these steps, the Terminal Operations Manager will meet with the LCPA Properties Director bi-annually to go over all outstanding concessionaire deficiencies to determine if additional notification is warranted, or if the LCPA would choose to repair the deficiency and invoice the concessionaire for said repairs.

#### **Reporting of Escalator Accidents**

The Operations & Safety Department worked with Risk Management and developed a system to track and report the submission of each escalator and elevator incident to the State within five working days, as required by Florida law, regardless of whether a person was identified as being injured.

#### **Hazard Data Tracking**

As noted in the report, the FAA's Safety Management System is still voluntary for airports to implement. All airside-related hazards are being reported and tracked accordingly through ProDIGIQ. Landside facility-related problems are being reported through Maximo, but are not specifically classified a hazard. Regardless if the item being reported in Maximo is classified as a hazard or not, the proper response and timely repairs are being made to resolve the problem. Since all discrepancies reported on the airport are not necessarily safety hazards, but are being tracked in two separate programs based on their physical location, the Operations and Maintenance leadership teams have agreed to meet to see if there is a way to better track, and more easily identify, reported problems. Those that are classified as safety hazards, regardless if they are found on the airside or landside, will

undergo a root cause analysis (if necessary) so as to prevent future potential incidents. This task will be completed by 12/31/17.

#### **Terminal Repair and Cleanliness Inspection Team (TRACIT)**

Even though the Maintenance Department is larger than the Operations department and may have a greater exposure to the terminal building, having Maintenance personnel inspect, detect and report on terminal issues similar to what Operation Agents currently do would not be productive. Currently, when Terminal Maintenance personnel find facility problems that need to be addressed, a work order is generated, the proper personnel are assigned to the job and the repairs are made. This same procedure is implemented when an Operations Agent discovers a facility-related problem within the terminal building. In addition to these two groups, all LCPA personnel and airport tenants alike are asked to call Airport Communications (590-4810) when they discover any facility-related problem. Many do. It's part of our airport culture. The purpose of the TRACIT program is to inspect the terminal as a team, in an open and collaborative manner, on a scheduled basis in order to keep the twelve-year old terminal in like-new condition. This type of inspection is separate and apart from the normal, routine inspections performed by Operations and separate from the repairs independently discovered and made by our Terminal Maintenance team. As evident by quarterly, independent surveys, high marks are always given for our terminal's cleanliness, operation and appearance. Instituting an additional layer of inspecting, detecting and reporting is not needed at this time.

#### **Irregular Operations (IROPS) and OI-1514**

The recommendation to review the verbiage in OI-1514 has already taken place, and the changes to reflect "guidance" as opposed to "compulsory" direction have been completed.

Once again, our thanks to you and your team for working with us on this audit and for allowing me to comment on the recommendations and findings. We truly appreciate the effort your team has put forth in helping us further define and improve our current airport-wide inspection and reporting procedures. If you have any questions or need additional information, please do not hesitate to contact me.