



Internal Audit Report

Comprehensive Operational Audit

Airport Customer Service Operations Department

January 1, 2011 – June 30, 2012

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Transmittal Letter

Audit Committee
Port of Seattle
Seattle, Washington

We have completed an audit of the Airport Customer Service Operations Department (formerly Air Terminal Operations Department). We reviewed information relating to department operations from January 1, 2011 – June 30, 2012.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the Airport Customer Service staff for their assistance and cooperation during the audit.



Joyce Kirangi, CPA
Internal Audit, Director

Executive Summary

Audit Scope and Objective

We reviewed information for the period of January 1, 2011 – June 30, 2012. The purpose of the audit was to determine whether management has employed adequate controls to ensure:

1. Revenues derived from common-use systems in the terminal are complete;
2. Analytical processes and metrics for evaluating passenger customer service are effective.

Background

The Airport Customer Service Department within the Aviation Operations group has 20 FTEs with an annual operating budget of \$11 million. The department is focused on responding to the needs of two distinct airport customers: the airlines and the traveling public.

For the airlines, the department oversees and coordinates the airlines' use of flight information displays, ticket counter and gate assignments, terminal systems technologies, and the airport's baggage handling system. For the traveling public, the department works to ensure a positive experience by monitoring and responding to customer inquiries, identifying and deploying customer-focused projects, and overseeing contracts that enhance their experience including janitorial services and the airport lost & found.

Air terminal revenues, including ticket counter, gate, and space rental fees generated approximately \$132 million in 2011, and the revenues are processed on its behalf by Aviation & Business Development.

Audit Result Summary

The department has adequate controls to ensure that revenues collected from common-use systems are complete. The department's controls over analytical processes and metrics for evaluating passenger customer service are effective.

Background

The Airport Customer Service Operations Department (formerly the Air Terminal Operations Department) within the Aviation Operations group has 20 FTEs with an annual operating budget of \$12 million. The department changed its name in 2012 to better reflect its dual focus of providing service to the two primary customers of Seattle-Tacoma International's Airport the airlines and their passengers.

The Department's Airline Systems and Services Group (ASSG) is focused on airline customer services. ASSG oversees the airport's baggage handling system, the airline scheduling system, as well as the other systems and technologies airlines depend upon. In the last decade, they have implemented common-use operations, which allow multiple airlines to share the same ticket counters and gates at different times, reducing the need for more costly expansions to accommodate growth.

The Passenger Experience Group (PEG) focuses on passengers within the Department. PEG manages both the airport's Pathfinders and Volunteer teams to better address customer service throughout the airport, by providing travelers assistance with way finding, U.S. customs processes, and language translation. They oversee third-party operational agreements including the \$8 million annual airport janitorial contract and the airport's Lost & Found program. Finally, PEG collects, monitors, and responds to thousands of customer inquiries through its comment tracking system, aggregating customer feedback into analytics to improve these customers' future travel experience.

The airlines have two options to use and pay for terminal services such as gates and ticket counters: they may lease dedicated space each year for a set rate, or pay only for actual use by utilizing the common-use systems in the terminal. The \$132 million in annual terminal revenues are collected on behalf of Customer Service Operations. The majority of space rental revenues (88%) are from airline's who lease systems such as ticket counters and aircraft gates. The remaining 12% of those revenues are generated from the terminal's common-use systems.

Departmental Revenues	FY 2010	FY 2011
Space Rental Fees <i>(includes preferential and common-use gates and ticket counters)</i>	\$113,477,733	\$117,029,522
Aviation Fees	\$11,986,641	\$14,538,244
Equipment Rental	\$994,720	\$1,008,720
Grand Total	\$126,459,094	\$132,576,486

Data Source: PeopleSoft Financials

In 2011, 72% of the Department's expenses went towards the airport's \$8 million janitorial services contract. The table below is a break-out of departmental expenses for fiscal years 2010 and 2011:

Departmental Expenses	FY 2010	FY 2011
Salaries and Benefits	\$1,678,788	\$1,887,647
Outside Services	\$9,389,005	\$9,756,601
General Expenses	\$913,213	\$849,584
Supplies and Stock	\$29,713	\$213,879
Equipment Expenses	\$44,423	\$67,628
Telecommunications	\$56,443	\$62,088
Other	\$109,560	\$104,444
Grand Total	\$10,542,357	\$11,054,224

Data Source: PeopleSoft Financials

Department Highlights & Accomplishments

During the course of the audit, we observed the following effective and efficient management practices within the Airport Customer Service Operations Department:

- Adopting the practices of airport ‘inspansion’, which includes the airport’s common-use program. Inspansion allows the airport to grow its business operations within the existing terminal spaces and reducing the need for major and costly physical expansions;
- Completing passenger-focused improvements, such as the airport-wide free wireless internet and deploying a popular quiet zone for passenger to rest during busier times;
- Launching a customer tracking system backed by salesforce.com to efficiently collect and process customer inquiries related to airport services and operations.

Audit Scope and Methodology

We reviewed information for the period of January 1, 2011 – June 30, 2012. We utilized a risk-based audit approach from planning through testing. We gathered information through interviews, observations and analytical reviews, in order to obtain a complete understanding of the Customer Service Operations and its management. We conducted an assessment of significant risks and identified controls to mitigate those risks. We evaluated whether the controls were functioning as intended.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact as follows:

1. To determine whether management has employed adequate controls to ensure revenues derived from common-use systems in the terminal are complete:
 - We examined the process for verifying the airlines’ self-reported figures for common-use aircraft gates.
 - We tested a risk-based sample of 3 of the 13 airlines that use the common-use ticket counters to determine if the billings were complete.
2. To determine whether the department’s processes for collecting, analyzing, and using customer service data are effective and efficient:
 - We reviewed the source data from the Department’s Comment Tracking System (CTS) to determine whether:
 - There were distinct data categories;
 - The data could be quantified efficiently;
 - The data collected was effective for use in metrics, benchmarks, or other analytics;
 - We verified whether CTS had sufficient controls for preventing the alteration of data;
 - We tested a random sample of 25 customer inquiries to verify that they were tracked from beginning to end, including all communications between the department and the customer;
 - We developed an analytic that measured the number of customer cases tracked by CTS monthly against the average monthly response time, and compared that ratio over the 18-month audit period.

- We reviewed eight of the Department's customer service planning activities to determine whether the customer service data collected was utilized effectively by verifying:
 - Data collection and analysis are transparent and available to other departments;
 - Data is developed into meaningful analytics or metrics;
 - Data and analysis are clearly communicated in and outside of the department;
 - Data is a component of customer service planning and development.

Conclusion

The department has adequate controls to ensure that revenues collected from common-use systems are complete. The department's controls over analytical processes and metrics for evaluating passenger customer service are effective.