



# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **INFORMATION**: Audit Announcement –  
FAA’s Award and Use of Sole-Source Contracts  
Federal Aviation Administration  
Project No. 15Z3003Z000

Date: March 3, 2015

From: Mary Kay Langan-Feirson   
Assistant Inspector General for  
Acquisition and Procurement Audits

Reply to  
Attn. of: JA-60

To: Director, Audit and Evaluation

In 2009, the President issued a memorandum directing the Office of Management and Budget (OMB) and all Federal agencies to reduce the use of noncompetitive contracts, including sole-source contracts. Sole-source contracts can be used when only one contractor is capable of delivering the goods or services needed and, therefore, it is not feasible to obtain competitive bids. However, these types of contracts are considered high-risk and can result in wasted taxpayer resources, poor contractor results, and inadequate accountability.

According to the Department of Transportation’s (DOT) annual reports to Congress on sole-source contracts,<sup>1</sup> the Federal Aviation Administration (FAA) accounted for approximately 65 percent of DOT’s sole-source awards between fiscal years 2008 and 2013, and the number of FAA’s sole-source awards increased by 147 percent over this same period (from 86 to 212). Overall, FAA annually obligates the largest amount of dollars on contracts within the Department. FAA’s Acquisition Management System (AMS) permits noncompetitive procurements, such as sole-source contracts, if Agency personnel can provide well-documented rationale that the decision is in the best interest of the Agency.

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<sup>1</sup> Pub. Law 112-55 § 407. Since 2009, Congress has required Federal agencies to report annually on their sole-source contract awards—including information on the contractor, contract amount, and rationale for using a sole-source contract.

Accordingly, our audit objectives will be to (1) assess FAA's actions to implement OMB's 2009 directive to reduce the use of sole-source contracts, (2) determine whether FAA's practices prior to award of sole-source contracts comply with AMS requirements, and (3) evaluate FAA's efforts to maximize competition of follow-on awards to sole-source contracts.

We plan to begin the audit later this month and will contact your audit liaison to schedule an entrance conference. If you have any questions, please contact me at 202-366-5225 or Anthony Wysocki, Program Director, at 202-493-0223.

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cc: DOT Audit Liaison, M-1  
FAA Audit Liaison, AAE-100  
DOT Senior Procurement Executive, M-60  
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