



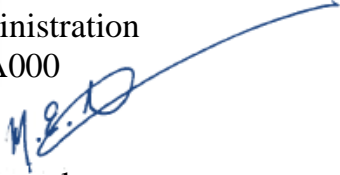
# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **INFORMATION**: Audit Announcement –  
Oversight of ADS-B Contract  
Federal Aviation Administration  
Project No. 14A3010A000

Date: October 7, 2014

From: Matthew E. Hampton   
Assistant Inspector General  
for Aviation Audits

Reply to  
Attn. of: JA-10

To: Director, Audit and Evaluation

Automatic Dependent Surveillance-Broadcast (ADS-B) is a new satellite-based air traffic surveillance system and a key component of the Federal Aviation Administration's (FAA) plans to transition to the Next Generation Air Transportation System (NextGen). In 2007, FAA awarded a contract to ITT Corporation for \$1.8 billion through 2025 to develop and deploy the ADS-B ground infrastructure and start broadcasting services.

In 2010, we reported that FAA faces significant risks in implementing the ADS-B program and realizing benefits due to weaknesses in its contract management and oversight.<sup>1</sup> For example, we found that the ADS-B contract structure bundles and comingles tasks and costs, making it difficult for decisionmakers to manage the contract and track costs. In addition, we recently reported changes to the program cost, including the addition of \$162 million for performance incentives for the prime contractor through 2025.<sup>2</sup>

The FAA Modernization and Reform Act of 2012 directed us to review FAA's oversight of ADS-B-related contracts. Accordingly, we are initiating this audit to (1) determine whether the ADS-B contract provides FAA the ability to monitor whether the contractor is providing required ADS-B products and services and (2) evaluate FAA's procedures for determining payments to the contractor.

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<sup>1</sup> *FAA Faces Significant Risks in Implementing the Automatic Dependent Surveillance-Broadcast Program and Realizing Benefits* (OIG Report No. AV-2011-002), Oct. 12, 2010. OIG reports are available on our Web site at: [www.oig.dot.gov](http://www.oig.dot.gov).

<sup>2</sup> *ADS-B Benefits Are Limited Due to a Lack of Advanced Capabilities and Delays in User Equipage* (OIG Report No. AV-2014-105), Sept. 11, 2014.

We will conduct our work at FAA Headquarters, the ADS-B prime contractor facility, and other relevant sites. We plan to begin the audit this month, and we will contact your audit liaison to schedule an entrance conference. If you have any questions, please contact me at (202) 366-0500 or Kevin Dorsey, Program Director, at (202) 366-1518.

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cc: DOT Audit Liaison, M-1  
FAA Audit Liaison, AAE-100