Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Office of Inspector General

Date: March 16, 2010

Subject: INFORMATION: Audit Announcement – Review of Costs and Controls Associated With the 2009 FAA/NATCA Contract

Federal Aviation Administration
Project No. 10A3006A000

From: Lou Dixon
Assistant Inspector General for Aviation and Special Program Audits

To: Assistant Administrator for Financial Services and Chief Financial Officer

On October 1, 2009, the Federal Aviation Administration (FAA) entered into a 3-year collective bargaining agreement for an estimated $669 million with the National Air Traffic Controllers Association (NATCA). This contract addresses various union employee concerns, such as work schedules and equitable pay standards, while allowing FAA more flexibility to redeploy controllers to congested airports. This is FAA’s first agreement with the union since its 1998 contract, which granted FAA authority to negotiate controller salaries under personnel reforms passed by Congress. However, the cost of the 1998 contract far exceeded FAA’s initial estimate, eventually requiring more than $1 billion in additional funding over its 5-year life.

Citing concerns with the original contract’s cost overruns, Representative John L. Mica, Ranking Member of the House Committee on Transportation and Infrastructure, requested that we review the costs associated with the 2009 agreement to ensure they will be controlled and remain within FAA’s estimates. Accordingly, our audit objectives will be to (1) evaluate the accuracy and completeness of FAA’s cost estimate of the new contract, (2) identify contract provisions that could escalate costs, and (3) determine if FAA has sufficient controls in place to prevent cost escalations.
We plan to begin the audit this month and will contact your audit liaison to schedule an entrance conference. If you have any questions, please contact Dan Raville, Program Director, at (202) 366-1405 or Bob Romich, Project Manager, at (202) 366-6478.

cc: Acting FAA Deputy Administrator
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    Martin Gertel, M-1