



# OST

Report AV2023045  
September 19, 2023

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## DOT Has Effectively Managed the Aviation Manufacturing Jobs Protection Program and Should Capture Lessons Learned From Its Oversight Efforts



## DOT Has Effectively Managed the Aviation Manufacturing Jobs Protection Program and Should Capture Lessons Learned From Its Oversight Efforts

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*Self-Initiated*

Office of the Secretary of Transportation | AV2023045 | September 19, 2023]

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### What We Looked At

The American Rescue Plan Act (ARPA) established the Aviation Manufacturing Jobs Protection (AMJP) program in March 2021. To support the program, the ARPA appropriated \$3 billion in funding via the Department of Transportation (DOT) through September 2023 for eligible companies engaged in aviation manufacturing and services, maintenance, repair, and overhaul activities. Program funds would allow these companies to continue paying employee wages, salaries, and benefits or rehire employees who were furloughed as a result of the pandemic, and Congress expected DOT to award the relief funds quickly. In April 2021, DOT established a process to accept, review, and award AMJP funding to eligible companies, relying on internal controls developed for emergency funding programs. An important DOT objective and a focus of our oversight is to ensure the Department's proper stewardship of pandemic-related grants and newly created grant programs. Accordingly, our audit objective was to evaluate DOT's processes to validate AMJP applicant data, allocate Government funding, and ensure funding was used lawfully.

### What We Found

The COVID-19 pandemic caused unprecedented upheaval in the aviation manufacturing industry due to idled aircraft, declining aircraft maintenance and repair activity, and employee lay-offs. Through the AMJP program, DOT gave a "lifeline" to the industry by providing over \$664 million to help 584 companies pay employee wages, salaries, and benefits or rehire furloughed personnel. DOT has appropriately managed the AMJP program, particularly given the urgency to aid the aviation manufacturing industry. Still, capturing the lessons learned from its AMJP oversight efforts will help the Department strengthen any grant programs targeted at future emergencies.

### Our Recommendations

DOT concurred with our recommendation, and we consider the recommendation resolved but open pending completion of planned actions.

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# Contents


Memorandum	1
Background	3
Results in Brief	7
While DOT's Processes For Overseeing AMJP Are Mostly Sufficient, the Lessons Learned Could Improve Its Future Programs	9
Conclusion	16
Recommendation	17
Agency Comments and OIG Response	17
Actions Required	17
<b>Exhibit A.</b> Scope and Methodology	18
<b>Exhibit B.</b> Organizations Visited or Contacted	20
<b>Exhibit C.</b> List of Acronyms	21
<b>Exhibit D.</b> Major Contributors to This Report	22
<b>Appendix.</b> Agency Comments	23



## Memorandum

Date: September 19, 2023

Subject: ACTION: DOT Has Effectively Managed the Aviation Manufacturing Jobs Protection Program and Should Capture Lessons Learned From Its Oversight Efforts | Report No. AV2023045

From: Nelda Z. Smith  
Assistant Inspector General for Aviation Audits 

To: Deputy Secretary of Transportation

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The civil aviation manufacturing industry contributed over \$117 billion in total economic activities and supported nearly 1.3 million jobs in the United States prior to the COVID-19 pandemic.<sup>1</sup> The pandemic temporarily decimated the aviation industry worldwide, causing idled aircraft, declining aircraft maintenance and repair activity, and employee lay-offs at associated businesses. In response, the American Rescue Plan Act (ARPA) established the Aviation Manufacturing Jobs Protection (AMJP) program in March 2021.<sup>2</sup> To support the program, the ARPA appropriated \$3 billion in funding via the Department of Transportation (DOT) through September 2023 for eligible companies engaged in aviation manufacturing and services, maintenance, repair, and overhaul activities. Program funds would allow these companies to continue paying employee wages, salaries, and benefits or rehire employees who were furloughed as a result of the pandemic, and Congress expected DOT to award the relief funds quickly. Factors driving this urgency included the economic state of the aviation manufacturing industry—which had lost revenue, jobs, and productive capacity—among other concerns. The statutory requirement of 6 months between the effective date of the first and final AMJP agreement also factored into how rapidly DOT established the program.

An important DOT objective and a focus of our oversight is to ensure the Department's proper stewardship of pandemic-related grants and newly created grant programs. Accordingly, our audit objective was to evaluate DOT's processes

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<sup>1</sup> Federal Aviation Administration (FAA), *The Economic Impact of Civil Aviation on the US Economy*, January 2020.

<sup>2</sup> Pub. L. No. 117–2, sections 7201 and 7202 (March 11, 2021).

to validate AMJP applicant data, allocate Government funding, and ensure funding was used lawfully.

We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology. Exhibit B lists the organizations we visited or contacted, and exhibit C lists the acronyms used in this report.

We appreciate the courtesies and cooperation of Department of Transportation (DOT) and Office of the Secretary (OST) representatives during this audit. If you have any questions concerning this report, please contact me or Tina Nysted, Program Director.

cc: The Secretary  
DOT Audit Liaison, M-1

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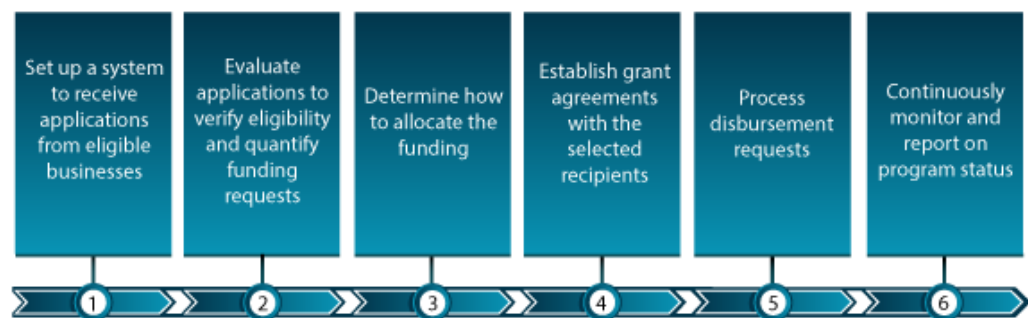
# Background

The purpose of the AMJP program is “to provide public contributions to supplement compensation of an eligible employee group” (EEG).<sup>3</sup> The Government entered into agreements with eligible businesses<sup>4</sup> to pay half of each company’s payroll costs for their EEG for up to 6 months. In return, qualifying businesses had to make several commitments, including that they would not involuntarily lay off or furlough employees within the EEG during the AMJP agreement period. Also, companies had to meet specific criteria to be eligible for AMJP funding. A key stipulation of the program is that a company must have involuntarily furloughed or laid off at least 10 percent of its workforce or experienced a 15 percent decline in revenues in 2020, compared to 2019.

In April 2021, DOT established a process to accept, review, and award AMJP funding to eligible companies, relying on internal controls developed for emergency funding programs. DOT took several major steps to establish the AMJP program (see figure 1).

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Figure 1. Major DOT AMJP Implementation Steps



Source: DOT Contract Data

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<sup>3</sup> An eligible employee group (EEG) is a portion of an employer’s United States workforce that (1) does not exceed 25 percent of the employer’s total United States workforce as of April 1, 2020; (2) contains only employees with a total compensation level of \$200,000 or less per year; and (3) is engaged in aviation manufacturing activities and services or maintenance, repair, and overhaul activities and services.

<sup>4</sup> An eligible business “actively manufactures an aircraft, aircraft engine, propeller, or a component, part, or systems of an aircraft or aircraft engine under a Federal Aviation Administration production approval; holds a certificate issued under Part 145 of Title 14, Code of Federal Regulations, for maintenance, repair, and overhaul of aircraft, aircraft engines, components, or propellers; or operates a process certified to SAE AS9100 [a manufacturing certification standard] related to the design, development, or provision of an aviation product or service, including a part, component, or assembly.”

DOT used the System for Award Management portal (SAM.gov) as a key fraud detection mechanism to ensure AMJP applicants were already registered to do business with the U.S. Government. Following validation of company qualification, DOT determined risk levels for awardees—based on factors such as an award amount over \$1.25 million or delinquency on debt to a Federal agency—and used a multi-level cross-organizational executive review process to validate and approve the award amounts. DOT also used these assigned risk levels to determine the amount of follow-up reporting required of grantees before issuing interim or final payments.

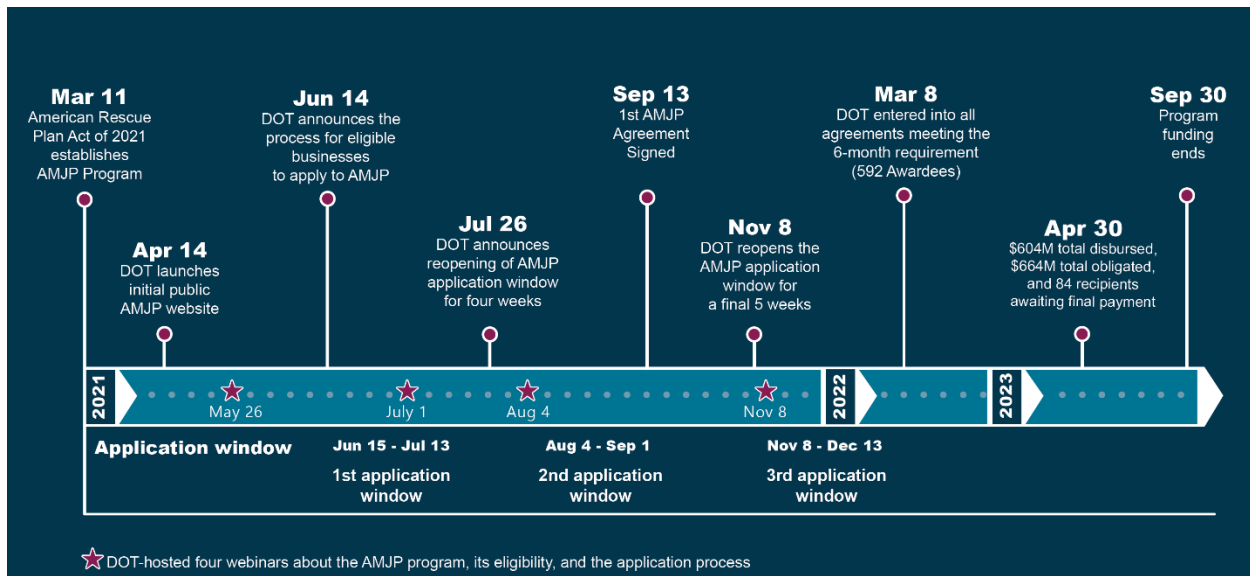
### **Program Timeline**

The AMJP website went online on April 14, 2021, just weeks after the program was established and one month after the ARPA became law. On June 14, 2021, DOT announced in the Federal Register that the AMJP application period would run for 30 days through July 13, 2021, with a goal of initiating payments by September 30, 2021. The Department subsequently determined that it would reopen AMJP applications for an additional 4 weeks (August 4, 2021–September 1, 2021). On November 8, 2021, DOT decided to reopen the application process for one final 5-week period ending December 13, 2021, due to legal reinterpretation of program eligibility requirements.<sup>5</sup> Figure 2 outlines DOT's program timeline.

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<sup>5</sup> DOT guidance for the first and second application periods stated that the Department could not enter into an AMJP agreement with a company that was allowed the Employee Retention Tax Credit for the quarter immediately prior to the one in which an AMJP agreement was to be entered into. However, DOT officials later realized this restriction only applied if a company was allowed the credit for a calendar quarter occurring prior to July 1, 2021, because of the way applicable legal provisions were structured.

Figure 2. DOT AMJP Program Timeline



Source: OIG Analysis of AMJP Data

Note: The Fiscal Responsibility Act of 2023 rescinded all remaining unobligated program funds when it was enacted on June 3, 2023. (Public Law Number 118-5.)

The AMJP program has a statutory limit of 6 months between the effective date of the first AMJP agreement and award of the final AMJP agreement. The first AMJP agreement was signed on September 13, 2021, and DOT entered into all agreements by March 8, 2022. DOT offered funding to 86 percent of the applicants. The remaining 14 percent were ineligible or disqualified; these applicants missed submission deadlines, submitted incomplete supporting documentation, or did not meet the eligibility criteria (e.g., did not hold the required certifications).

### DOT Internal Controls

In May 2021, DOT leadership briefed the Office of Management and Budget (OMB), the Pandemic Response Accountability Committee, and DOT-OIG on its planned internal controls for the AMJP program. The plan included pre-award, pre-payment, and post-payment/post-award considerations, such as:

- **Applicant verification controls**, including SAM.gov registration and controls to verify the signee is an authorized company official;
- **Applicant eligibility controls**, including coordinating with the Department of the Treasury and Small Business Administration to cross-



check with Coronavirus Aid, Relief, and Economic Security Act<sup>6</sup> recipients; and

- **Improper payment controls** such as risk assessment and sampling procedures to identify potential improper payments and their root causes.

To establish these controls, DOT modified a previously developed emergency funding internal control process to identify and document new or modified internal controls.<sup>7</sup> According to DOT, the guidance was structured according to the *Standards for Internal Control in the Federal Government*<sup>8</sup> published by the Government Accountability Office and reflects internal control standards required by the Federal Managers' Financial Integrity Act.<sup>9</sup> DOT continued to evolve this plan to improve its internal controls such as by having the AMJP Eligibility Review Board conduct its own document sampling to validate the integrity and effectiveness of the review process.

### Application Process

To meet the congressional intent to rapidly award pandemic-relief funding to the aviation manufacturing industry, DOT established a grant application and approval process using existing relationships with its selected system support contractor (GrantSolutions), financial support contractor (Guidehouse), and payment processor (ESC/Delphi).<sup>10</sup> The application process used multiple levels of review to assess a company's supporting documentation and make risk determinations. DOT required additional oversight during the post-award reporting period for companies at higher risk. After determining a company's eligibility and entering into an agreement with the applicant, the Department disbursed up to an initial 50 percent of the funds to awardees. Recipients were then required to provide the actual total cost of EEG compensation during the period of the agreement before DOT would approve further disbursements. DOT withheld final payments until it had received all satisfactory documentation. Also, DOT modified the AMJP program and application requirements as the Department better understood the legal impacts of other pandemic relief programs such as the Employee Retention Tax Credit and Paycheck Protection Program. Figure 3 provides an overview of DOT's application review and approval process.

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<sup>6</sup> Pub. L. No. 116-136 (March 27, 2020).

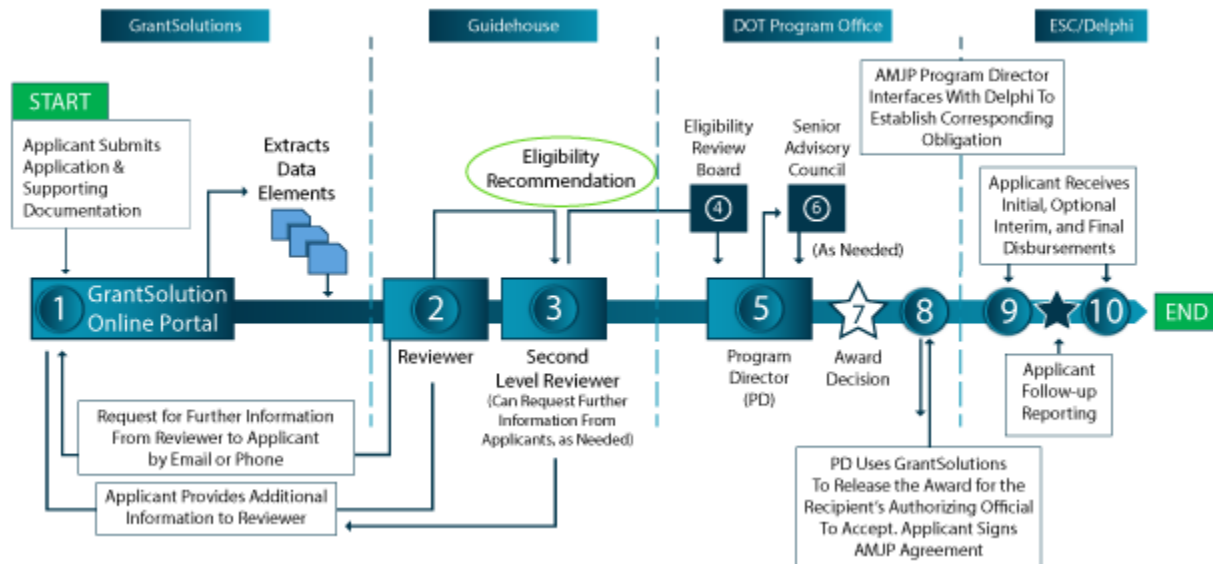
<sup>7</sup> DOT, *DOT Emergency Relief Internal Control Program Summary and Planning Template*, May 2022.

<sup>8</sup> Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 10, 2014.

<sup>9</sup> Pub. L. No. 97-255 (September 8, 1982).

<sup>10</sup> DOT uses Oracle's iSupplier module, titled the Delphi eInvoicing System, to process grant payments. It is a real-time invoicing tool supported by DOT's Enterprise Services Center (ESC). However, DOT decided to not rely upon Delphi eInvoicing for AMJP and instead, worked with Guidehouse to process disbursements for payment through ESC.

Figure 3. DOT's AMJP Grant-Approval Process



Source: OIG Analysis of DOT Data

### Compliance Monitoring and Post-Award Reporting

DOT required all award recipients to submit updated forms regarding their EEG's composition within 10 days of award disbursement and whenever a change occurred. DOT designated roughly 34 percent of AMJP recipients (83 percent of AMJP obligated funds) as "moderate" risk, which required interim financial reporting. The interim financial reports required awardees to provide DOT with a payroll report for the EEG within 10 days of each payroll period and whenever the EEG composition changed. According to DOT officials, Guidehouse helped the Department monitor compliance with these and other reporting requirements, and DOT is following up with recipients that fail to comply.

## Results in Brief

### DOT Has Effectively Managed the Aviation Manufacturing Jobs Protection Program and Should Capture Lessons Learned From Its Oversight Efforts.

DOT's processes were sufficient to validate AMJP applicant data, allocate Government funding, and ensure funding was used lawfully. DOT adequately validated AMJP application data and supporting documentation by implementing a thorough review process and collecting sufficient data to validate award amounts. DOT's validation process ensured sufficient documentation to

substantiate applications, implemented risk identification and mitigation measures, and verified award decisions through two cross-organizational executive review boards. However, DOT made eligibility decisions or issued initial award disbursements before receiving all the correct supporting documentation from some applicants. Further, some applicants with whom we spoke expressed confusion due to multiple reviewers validating submitted data, the types of supporting documents permitted, or uncertainty about how to apply their unique pay circumstances to the required payroll calculation. In some areas, DOT relied on applicant self-certification, which could introduce risks, particularly as reviewers may not have cross-checked those certifications. As a result, DOT determined some applicants were eligible for AMJP grants and made initial disbursements before obtaining complete documentation from applicants. Further, while DOT has obligated over \$664 million,<sup>11</sup> many potential applicants never applied for the funding. An external study of the AMJP program found that the information DOT required from applicants may have created a significant burden for very small companies. In addition, the program may have been established too late as much of the aviation industry was already recovering from the pandemic. Also, while DOT properly allocated public funding, it has not made all final payments. As of May 2023, 84 recipients were waiting for their final grant distribution. In accordance with DOT's application instructions, applicants must request final payment after their AMJP agreement performance period ends. DOT officials stated the timing of final payments depended heavily on how quickly and accurately each recipient submitted their Final Financial Report. According to the AMJP program team, they had to return 92 percent of the Final Financial Reports due to errors, insufficient documentation, or other reasons. While many recipients corrected those issues quickly, some applicants took longer to do so and thus may not receive the balance of their AMJP funds as quickly as anticipated. Finally, DOT determined recipients used AMJP funding lawfully. DOT disbursed final funding only after companies had shown, through validated supporting documentation, that they met program criteria. DOT did not have to verify how recipients used AMJP funds because the funds were paid to recipients as reimbursement for payroll costs incurred during the award agreement period. Award recipients could use the money to support retention, rehire, or recall of employees. According to DOT officials, the Department determined that the recipients had fulfilled their legal obligations under the AMJP agreements. Therefore, AMJP's final payments were reimbursements for recipient's payroll expenditures, no matter how they used the funds after receipt.

When our audit concluded, DOT indicated it had future plans to conduct a AMJP program review. Thus, we are making one recommendation to ensure the Department captures lessons learned from this program.

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<sup>11</sup> As of April 30, 2023, AMJP obligations were reported to be \$664,416,822.78.

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## While DOT's Processes For Overseeing AMJP Are Mostly Sufficient, the Lessons Learned Could Improve Its Future Programs

DOT's processes were sufficient to validate AMJP applicant data, allocate Government funding, and ensure funding was used lawfully. DOT adequately validated AMJP application data and supporting documentation by implementing a thorough review process and collecting sufficient data to validate award amounts. However, the AMJP applicants experienced challenges such as having to respond to multiple reviewers or unclear instructions for supporting data. In addition, DOT's reliance on self-certification for several application responses may have introduced some risk to the grant approval process, and some potential applicants may have decided not to apply due to the workload required, among other factors. While DOT properly allocated public funding, some final payments may be delayed pending receipt of correct supporting documentation. Lastly, although DOT did not verify the use of award funds, it determined that recipients used AMJP funding in accordance with the law—as reimbursement for allowable payroll costs already paid by the employer.

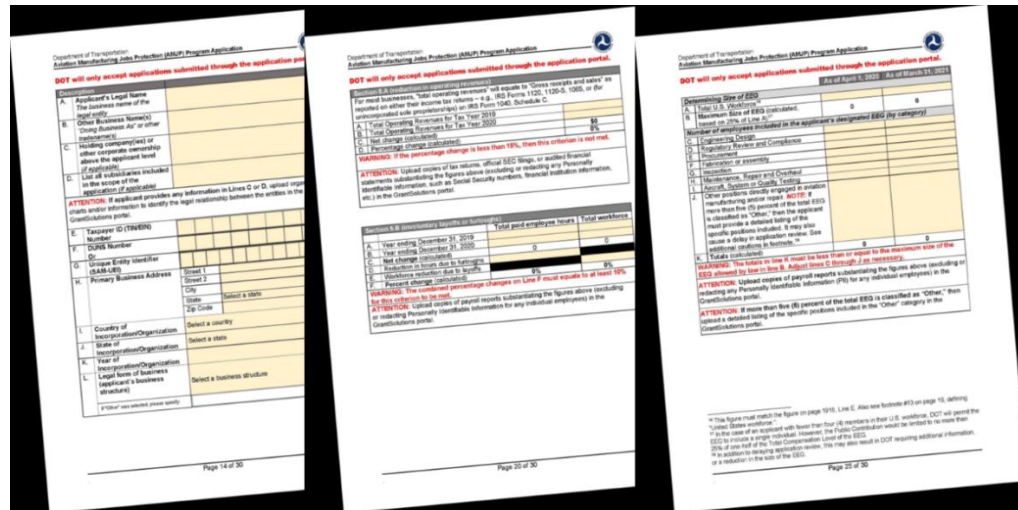
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### DOT Developed Processes To Effectively Validate AMJP Applicant Data

DOT validated AMJP applications by requiring proper documentation and developing risk scores to determine the extent of post-award reporting required. This validation process also involved a multilayered review to reduce the possibility of applicant fraud. For example, DOT used the SAM.gov portal as a key fraud detection mechanism to ensure that only qualified businesses could submit grant applications. DOT's 30-page AMJP application was robust and detailed (see figure 4), requiring submission of proper documentation that included:

- Evidence that the applicant was an eligible type of business;
- EEG composition and total compensation level of EEG members; and
- Evidence of employees furloughed or revenue lost due to the COVID-19 pandemic.

Figure 4. AMJP Application Example Pages



Source: DOT AMJP Webinar, June 25, 2021

To prioritize its risk mitigation and oversight efforts, DOT developed risk scores and required increased reporting from applicants deemed to be at higher risk based on several factors, including the size of the award and the quality of the supporting documentation. DOT assigned one of three levels of risk—nominal, moderate, or elevated—to each AMJP program applicant. Companies assigned higher risk levels were required to complete additional post-award reporting before DOT would make any further funding distributions. Figure 5 shows the reporting requirements for each risk level, which increase for awards with the highest dollar amounts or other risk factors—those in the moderate and elevated risk categories.

Figure 5. DOT Risk Level Reporting Requirements



Source: OIG Analysis of DOT Data

DOT initially identified 209 of the 592 approved applications (35 percent) as higher (combined moderate and elevated) risk. These higher-risk companies equated to 85 percent of the approved funding. DOT determined that six awardees (1 percent of the total) had an "elevated" risk level. However, two of the six companies in our sample received an initial disbursement before DOT verified the AMJP form required to identify the company's current EEG composition. In addition, a Guidehouse reviewer's checklist recommended one company as eligible before the company provided all the supporting documentation.

Also, DOT sent a company its first disbursement before Guidehouse received corrected EEG information following the initial application. DOT representatives stressed throughout our audit that, early in the program, they took some measured and manageable risks and established risk mitigation controls to meet the intent of the statute to distribute pandemic aid to companies as quickly as possible. As a result, DOT determined some applicants were eligible for AMJP grants and made initial disbursements before obtaining complete documentation. However, DOT internal controls required applicants to provide the correct supporting documentation before the Department would authorize final payments to the companies.

### **DOT Implemented a Thorough Review Process**

As part of its efforts to rapidly award AMJP funds, DOT established a grant application and approval process using established contract support relationships and a cross-organizational team. DOT used GrantSolutions to receive AMJP applications, Guidehouse to review applications and supporting documentation for accuracy and make award eligibility recommendations, and ESC to disburse approved funding.

DOT implemented a multi-level review and validation process and a two-level executive-approval process to ensure proper AMJP grant documentation and payment amounts. While the review process outlined in DOT's internal control plan worked effectively, we did observe some issues. One company we contacted told us that more than one reviewer processed their application. As a result, different reviewers contacted them throughout the process to resolve issues, which confused this applicant. For example, the same Guidehouse reviewer did not follow-up with company officials by phone or email when the applicant left phone call messages with DOT.

DOT relied on applicants to self-certify their responses to certain questions on the AMJP application and did not require any supporting documentation. For example, one question required the applicant to certify that the business was or was not receiving "...reimbursements for employee compensations costs under any other Federal or State financial assistance program...during the term of the AMJP Agreement." If the applicant answered "no" to this question, reviewers did not appear to verify this information. Specifically, they did not consistently

annotate checklists to indicate how the information was verified—only that the response was appropriate to meet program criteria. Yet our office and other Federal oversight entities have identified recipient self-certification as a weak control and called for agencies to verify self-reported information when determining eligibility.<sup>12</sup>

DOT did provide applicants with numerous warnings in the AMJP application regarding the removal of Personally Identifiable Information (PII). However, we found a supporting document that contained PII and was not properly screened in the review process. We reported this to DOT and the Program Office removed the file. While DOT placed the burden on applicants to redact PII, we did find several instances where PII was discovered within supporting documents, and Guidehouse directed the applicant to replace it with redacted form. However, we could not find any related guidance for reviewers on how to handle documents containing PII. Given the volume of supporting documentation the Department received, it may have overlooked unredacted PII.

### **DOT Collected Sufficient Data To Validate Award Amounts, But Companies Found Application Instructions Confusing**

Through our analyses of six sample companies, we validated the employment status, job description, and salary for all EEG members and only found minor issues, such as how companies identified their EEG by numerical sequence. However, we did find that, throughout the application process, four of the six companies had problems interpreting instructions for supporting documentation and had to submit revised applications. On the AMJP website, DOT provided a nine-page document that identified the types of documentation that could be submitted (from highest to lowest level of reliability). Yet applicants may have missed this document because it was not included with the application instructions.

In our analysis, DOT contacted three of our six sample companies to have them resubmit supporting documentation specifically confirming employee compensation. Two of the six companies were required to provide additional support that clearly identified the total employees engaged in aviation manufacturing and/or repair. Although the application asked companies to upload payroll reports or other documentation substantiating the figures, it did not provide specific examples for unique payroll situations, such as when employees work on weekends. One company in our sample had to recompute their total compensation figures (including benefits paid) to match a standard 40-

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<sup>12</sup> *FAA Quickly Awarded CARES Act Funds but Can Enhance Its Oversight Approach To Promote Effective Stewardship* (OIG Report No. AV2022032), July 18, 2022, and *FTA Can Enhance Its Controls To Mitigate COVID-19 Relief Funding Risks* (OIG Report No. ST2023001), October 12, 2022. All OIG audit reports are available on our website at [www.oig.dot.gov](http://www.oig.dot.gov).

hour work week. In short, complex application instructions—which did not include unique payroll situations and were intended to give applicants maximum flexibility when submitting supporting documentation—may have increased the workload for applicants, caused more frequent interactions between applicants and DOT, and prolonged the time the Department spent making final award decisions.

### **Some Eligible Companies Did Not Take Advantage of AMJP Appropriated Funding**

The AMJP program was well developed and quickly implemented, but many companies may not have taken advantage of this funding opportunity due to several factors such as perceived application complexity. As of April 2023, 584 companies had agreements in place totaling \$664 million from DOT's AMJP program, and DOT had disbursed approximately 91 percent of all AMJP-obligated funding (just over \$604 million). However, over \$2.3 billion were not obligated<sup>13</sup> because of numerous reasons, which included ARPA being enacted one year after the start of the pandemic in March 2021 and establishing a strict 6-month time limit for making awards. These unobligated funds could have been available to potential AMJP applicants, but many eligible businesses never applied. DOT plans to disburse the final payments of AMJP funding for 84 remaining recipients by mid-2023. According to DOT officials, each recipient's deadline to resolve outstanding issues varies, but the last of those deadlines is June 26, 2023. If any recipients have not complied by that date, DOT will issue preliminary notices of noncompliance in July 2023 and final determinations in August 2023. DOT will then deobligate any remaining undisbursed funds.

DOT made noteworthy efforts to inform the aviation industry about the AMJP program and initially approved 592 grants from the more than 740 total applications received through 3 submission rounds. However, over 10,000 companies might have benefited from this funding.<sup>14</sup> As a result, DOT could only obligate 28 percent of the reduced award funding Congress allotted for this program.

In February 2022, DOT contracted with North Carolina A&T State University (NCAT) to evaluate the effectiveness of the Department's public outreach to prospective applicants and identify any barriers to entry, such as the availability of timely and critical information. According to the NCAT study, DOT notified 10,670 businesses that might meet AMJP program criteria by email in April 2021. DOT sent multiple emails, made follow-up phone calls to companies where the

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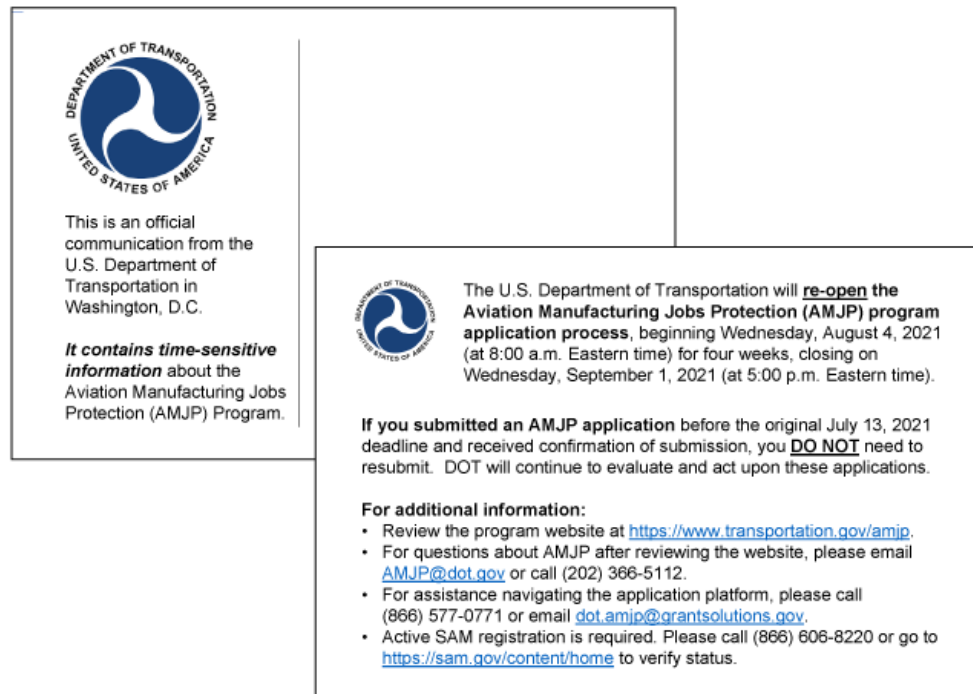
<sup>13</sup> DOT reported on March 27, 2023, that there had been a \$568.2 million rescission to the AMJP Program through the Fairness for 9/11 Families Act, Pub. L. No. 117-328, Div. MM, Sec. 101(d)(3) (December 29, 2022).

<sup>14</sup> North Carolina A&T State University, *Independent Evaluation of Implementation of Aviation Manufacturing Jobs Protection (AMJP) Program by USDOT*, August 2022.



email “bounced,” and sent two rounds of postcards to potential applicants (see figure 6).

Figure 6. DOT AMJP Postcard



Source: DOT

DOT also hosted four webinars from May 26, 2021, to November 8, 2021, Senator Jerry Moran and Congressman Ron Estes hosted a presentation in Wichita, KS in June 2021, and an onsite roundtable discussion was hosted by Congressman Rick Larsen in Everett, WA, in August 2021. NCAT found that, in general, aviation manufacturers appreciated the AMJP program and its attempt to save small businesses in targeted aviation sectors. Further, NCAT study respondents thought the program was well thought-out, widely announced, distributed quickly, and implemented with great care and follow through, especially in comparison with other similar public assistance programs. Yet NCAT found that the information required by the AMJP application may have created a significant burden for very small companies.

Our audit work validated the NCAT analysis, finding that the effort required to apply for the funding may have outweighed the benefits for smaller companies. Some of the companies we interviewed echoed NCAT’s concern that smaller companies might not have applied for the grant because submitting an application required too much time and application requirements may have been confusing or burdensome. For example, applicants needed to have a variety of

registrations completed in advance, including a tax identification number, a Dun & Bradstreet number, active SAM.gov registration, and a GrantSolutions account. One company told us that not having a grant specialist placed additional burdens on them and required more contact with DOT's contractors. This same company found redacting PII from supporting documentation and addressing 401k information within payroll documents especially challenging. Specifically, this company experienced issues with its methodology when calculating payroll and benefits for employee overtime that was reported as an allowable cost. While the administrative burdens of applying for funding may have resulted in fewer potential applicants taking advantage of the AMJP program, the importance of developing a strong internal control structure to prevent fraud was paramount for the success of the program.

Furthermore, the AMJP program may have been enacted too late. By the time the program was announced, much of the aviation industry was already on "the road to recovery." According to the NCAT study, "...many potential applicants did not apply for the program as they did not need the funding by the time it was available." As a result, company calculations of declines in operating revenue and workforce were impacted by recovering economic activity, which also obscured the true detrimental effect of the COVID-19 pandemic on the operating performance of some businesses. Because of these issues, recovery funding may not have helped all companies eligible for AMJP funding, and smaller companies with fewer staff or unfamiliarity with grant applications may have forgone pandemic aid.

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## **DOT Properly Allocated Public Funding but Has Not Made All Final Payments**

DOT's review processes ensured that the AMJP grants were allocated properly because total award amounts were based on verified applicant data and supporting documentation, and final award payments were not disbursed until all reporting requirements were met. As of May 2023, 84 recipients were waiting for their final grant distribution—many of these were from the final award round and had just completed their period of performance. According to DOT, these recipients had not received their final payments because they either did not provide the required documentation or had not resolved discrepancies or violations. While some of the companies in our sample did not know when those final payments would occur, DOT assured us that final distribution correspondence would be issued when unresolved issues were fixed.

DOT established a standard process for recipients to follow in order to receive their final payments, including submitting Final Financial Reports within 120 days of the end of their performance period. The DOT AMJP program team then

conducted a detailed review and verification process for these reports, including statistically sampling supporting documentation. Therefore, according to DOT, the timing of final payments depended on how quickly each recipient submitted their Final Financial Report and how accurate it was.

However, DOT also reported that it had to return 92 percent of all Final Financial Reports due to applicant errors, unallowable costs, insufficient documentation, or other reasons. DOT told us that, on average, recipients submitted three revised Final Financial Reports before all issues were resolved. DOT anticipates making final payment determinations no later than August 2023.

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## **DOT Determined Recipients Were Lawfully Using AMJP Funding**

Based on our review, DOT established program controls to ensure recipients used funding legally. Accordingly, the Department only disbursed program funds after companies had shown that they met program criteria through validated supporting documentation. DOT issued initial award disbursements (up to 50 percent) to the lowest risk applicants upon validating applicant eligibility. It also withheld final payments until after the AMJP agreement was signed, the 6-month award performance period was completed, and all supporting documentation was validated. According to DOT, the highest risk companies did not receive any award funding until they had met reporting requirements. These controls helped to reduce improper payments.

Further, we determined that DOT did not need to know specifically how companies used their award funding. This was because DOT determined that the recipients had fulfilled their legal obligations under the AMJP agreements and had met the payroll obligations for their EEGs. Therefore, final payments from AMJP were reimbursements for those allowable payroll expenditures. For example, two recipients reported to us that these funds allowed them to increase pay for all employees or increase worker salaries in tight labor markets. According to DOT program representatives and our analysis, the companies were within legal authority to do so since the funds were reimbursements for prior payroll costs.

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## **Conclusion**

The COVID-19 pandemic caused unprecedented upheaval in the aviation manufacturing industry due to idled aircraft, declining aircraft maintenance and repair activity, and employee lay-offs. Through the AMJP program, DOT gave a

“lifeline” to the industry by providing over \$664 million to help 584 companies pay employee wages, salaries, and benefits or rehire furloughed personnel. DOT has appropriately managed the AMJP program, particularly given the urgency to aid the aviation manufacturing industry. Still, capturing the lessons learned from its AMJP oversight efforts will help the Department strengthen any grant programs targeted at future emergencies.

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## Recommendation

To improve emergency grant program implementation and oversight, we recommend that the Deputy Secretary of Transportation:

1. Conduct an Aviation Manufacturing Jobs Protection program after-action review to identify lessons learned and incorporate improvements into future grant programs.
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## Agency Comments and OIG Response

We provided DOT with our draft report on July 17, 2023, and received its formal response, dated August 28, 2023. DOT’s response is included in its entirety as an appendix to this report. DOT concurred with our one recommendation and provided an appropriate action and completion date. Accordingly, we consider our recommendation resolved but open pending completion of the planned action.

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## Actions Required

We consider our recommendation resolved but open pending completion of planned action.

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## Exhibit A. Scope and Methodology

This performance audit was conducted between June 2022 and July 2023. 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 objective.

To determine whether DOT's processes to validate AMJP applicant data, allocate government funding, and ensure funding was used lawfully, we evaluated DOT's AMJP grant files to determine compliance with Federal laws and Federal Register Notices and DOT's AMJP internal control plan. We reviewed the ARPA and CARES Act; Federal Managers' Financial Integrity Act of 1982; Federal Register, vol. 86, nos. 70, 112, and 180, and vol. 87, no. 3; and DOT's contracts with program support contractors. We reviewed DOT's implementation of and modifications to its Internal Control Plan standards. We performed site visits or interviewed representatives from the Aerospace Industries Association; AMJP-eligible companies; the AMJP Program Director; contractors used for system and financial support; and an independent review of the program conducted by NCAT State University. We also were provided a demonstration of the AMJP application portal, system functions and interfaces, and how the reviewers' checklists were used to validate application responses.

To obtain an overall understanding of DOT's involvement in the AMJP Program, we interviewed Department officials to determine their roles and responsibilities. We also assessed DOT's approval and disbursement processes, as well as details regarding the program's compliance reviews and risk assessments.

To validate applicant data, we obtained and analyzed application data from DOT with information from 744 AMJP applicants. After conferring with the OIG Statistician and OIG leadership, we restricted the audit universe to a limited sample of six companies. We visited each of the companies and discussed their experiences with the application and disbursement processes. We also requested eligible employee group data, copies of the original applications and supporting documentation provided to DOT, along with copies of correspondence between DOT and company representatives to identify issues with guidance, comprehension of instructions, timeliness factors, and compliance challenges. We also reviewed each company's non-redacted EEG list and corresponding employment status, payroll records, job function, and salary for a sample of EEG members.

To assess whether funding was used lawfully, we reviewed application responses and attempted to validate them during onsite interviews. We also consulted with OIG's Deputy Chief Counsel to determine if DOT's response regarding fund usage was appropriate. We also reviewed the construct of the payment process utilizing DOT's internal control plan along with documentation and briefing slides provided by DOT.

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## **Exhibit B.** Organizations Visited or Contacted

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### **Department of Transportation**

Aviation Manufacturing Jobs Protection Program Office

Office of Audit Relations and Program Improvement

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### **Other Organizations**

Aerospace Industries Association

Government Accountability Office

GrantSolutions

Guidehouse LLP

#### **AMJP Grantees**

Aero Gear Incorporated

Aerospace Systems and Components, Inc.

Beacon Industries, Inc.

Cox Machine, Inc.

Universal Alloy Corporation

West Cobb Engineering & Tool Co., Inc.

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## Exhibit C. List of Acronyms

AMJP	Aviation Manufacturing Jobs Protection
ARPA	American Rescue Plan Act
DOT	Department of Transportation
EEG	Eligible Employee Group
ESC	Enterprise Services Center
GAO	Government Accountability Office
NCAT	North Carolina A&T State University
OIG	Office of Inspector General
OMB	Office of Management and Budget
PII	Personally Identifiable Information
SAM	System for Award Management



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## Exhibit D. Major Contributors to This Report

TINA NYSTED	PROGRAM DIRECTOR
WILLIAM LEARY	PROJECT MANAGER
ANNE LONGTIN	SENIOR ANALYST
ROSE MARIE STEVENS	SENIOR ANALYST
VICTORIA SMITH	SENIOR ANALYST
SUSAN CROOK-WILSON	WRITER-EDITOR
MORGAN ATHERTON	WRITER-EDITOR
AMY BERKS	DEPUTY CHIEF COUNSEL
GEORGE ZIPF	SUPERVISORY MATHEMATICAL STATISTICIAN
SHAWN SALES	SUPERVISORY VISUAL COMMUNICATIONS SPECIALIST
BRANDON HARVEY	VISUAL COMMUNICATIONS SPECIALIST

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## Appendix. Agency Comments



**U.S. Department of  
Transportation**

Office of the Under Secretary

### Memorandum

Subject: INFORMATION: Management Response to Office of Inspector General (OIG) Draft Report on the Aviation Manufacturing Jobs Protection (AMJP) Program Date: August 28, 2023

From: Carlos Monje on behalf *Maria Lefevre*  
Under Secretary for Transportation Policy

To: Nelda Z. Smith  
Assistant Inspector General for Aviation Audits

The U.S. Department of Transportation (DOT or Department) successfully balanced speed and accountability in its implementation of the AMJP Program, enacted as part of the American Rescue Plan Act. The core purpose of the program was to ensure that the aviation industry would be well-prepared to support the resurgence of demand after the COVID-19 pandemic. In alignment with the Act, the AMJP Program provides payroll support for eligible businesses, meeting several highly specific requirements in the law. Due to the complex statutory requirements and unique opportunities provided to private sector businesses, there are several notable achievements the Department accomplished to aid the aviation industry.

- DOT established and implemented an application process in less than six months; notified the initial round of eligible recipients just 183 days after enactment; and authorized 266 initial disbursements totaling more than \$197 million just 11 days later.
- DOT's outreach efforts helped protect nearly 31,000 American manufacturing jobs across 43 states and Puerto Rico, many of which were small businesses—of the 593 companies that initially accepted AMJP funds, 393 of them (66%) had fewer than 100 employees at the beginning of April 2020, and 498 of them (84%) had fewer than 250 employees.
- DOT exercised a high degree of careful oversight both pre-and post-award to ensure that only eligible recipients would receive these funds and at levels consistent with the statutory requirements. This included a large number of pre-award adjustments as well as post-award monitoring, reporting requirements, and compliance reviews that enabled the Department to reduce final payments (or terminate agreements) where necessary, based on actual costs incurred by the recipients.

Based on our review of the draft report, we concur with the OIG’s recommendation to conduct an AMJP program after-action review to identify lessons learned and incorporate improvements into future grant programs, as applicable. We plan to complete the AMJP lessons learned after-action review by December 29, 2023, and when applicable, use it as a best practice for comparable programs in the future.

We appreciate the opportunity to review the OIG draft report. Please contact Elliott Black at 202-924-0588 with any questions or for more information.

U.S. Department of Transportation  
Office of Inspector General

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