
Office of Inspector General

Audit Report

ARRA JOB DATA REPORTING FOR FAA PROGRAMS—LESSONS LEARNED FOR IMPROVING ACCURACY AND TRANSPARENCY FOR FUTURE JOB REPORTING

Federal Aviation Administration

Report Number: AV-2012-056
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Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** ARRA Job Reporting for FAA
Programs—Lessons Learned for Improving
Accuracy and Transparency for Future Job
Reporting
Federal Aviation Administration
Report Number AV-2012-056

Date: February 10, 2012

From: 
Lou E. Dixon
Principal Assistant Inspector General
for Auditing and Evaluation

Reply to
Attn. of: JA-1

To: Assistant Secretary for Transportation Policy
Acting Federal Aviation Administrator

On February 17, 2009, the President signed the American Recovery and Reinvestment Act (ARRA) into law. ARRA provided the Department of Transportation (DOT) with \$48 billion, of which \$1.3 billion was designated to two Federal Aviation Administration (FAA) accounts: \$1.1 billion for the Airport Improvement Program (AIP) and \$200 million for Facilities and Equipment (F&E). These funds were intended for transportation infrastructure projects to jump-start the economy, create or save jobs, and invest in long-term economic growth.

ARRA called for unprecedented levels of transparency and accountability, requiring fund recipients to provide periodic reports on their use of ARRA grants, loans, and contracts. Two ARRA sections provide job data reporting requirements:

- **Section 1201** requires grant recipients of ARRA funds in DOT programs to periodically report specific job information including the number of direct, on-project jobs created or sustained and, to the extent possible, the estimated indirect jobs created or sustained in the associated supplying industries, as well as the total increase in employment since the enactment of ARRA. The ARRA law stipulated that these reports are due 90 days, 180 days, 1 year, 2 years, and 3 years after the February 17, 2009, date of passage. We have not seen evidence that the final two Section 1201 reports (for the 2nd- and 3rd-year anniversaries) have been issued.

- **Section 1512** requires each recipient of ARRA funds to report quarterly the estimated number of jobs created and retained by ARRA-funded projects. The reports are due each quarter until the recipient of ARRA funds has expended all funds received. While the majority of FAA ARRA funding has been spent, some Section 1512 reporting remains. Some large rail ARRA-funded projects are expected to continue for several more years, as will their Section 1512 quarterly reports.

The Committee on Transportation and Infrastructure requested that we review job creation and reporting associated with the ARRA funding for programs within DOT. As agreed with Committee staff, we focused our work on jobs reported from ARRA projects in FAA's AIP and F&E accounts. Accordingly, our objectives were to determine whether (1) the reporting of job data satisfies ARRA requirements and (2) AIP and F&E projects funded under ARRA are creating and sustaining jobs. Although our review focused on FAA, we also identified areas where DOT can improve ARRA job reporting department-wide. Therefore, we included those issues in our report as well.

We conducted this review between December 2009 and November 2011 in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology.

RESULTS IN BRIEF

FAA met the ARRA requirement to provide reports on job data, and we found improvements in overall reporting of job data over time. Specifically, the number of errors that we identified in job reporting under Sections 1512 and 1201 decreased from 2009 to 2010. However, we identified a number of areas for improvement that can serve as lessons learned for the two remaining Section 1201 reports, the quarterly 1512 reports remaining until all ARRA funds are expended, and any future job creation efforts. In particular, we identified a number of errors, due in part to a lack of adherence to ARRA reporting requirements. For example, we found that 65 of our universe of 268 airport sponsors provided monthly reports on job hours to FAA that contained errors. In addition, at airport sponsors we contacted, the number of jobs they reported in 2009 under Section 1512 differed significantly (as much as 96 percent) from the number of jobs we calculated from data used in Section 1201 reporting—even though the data covered the same period. We also identified opportunities, although not required, that FAA can take to improve the accuracy of job reporting by increasing quality checks of airport sponsor-submitted data.

While it is clear that ARRA-funded AIP and F&E projects have created or sustained jobs, the full extent of this accomplishment is unclear because of errors and inconsistencies in the collection and reporting of job information. For

example, we selected a statistical sample of 10 out of 306 airports and for 5 of these 10 airports, documentation (certified payroll, invoices, or accounting system reports) did not match job hours reported. Additionally, some airport sponsors reported job data for the month when the work actually occurred, while others reported job data when invoices were received and paid. These reporting differences distorted the actual number of jobs created or sustained that were reported for a particular time period. For example, one airport that used invoices reported jobs with up to a 3-month delay after the jobs were actually worked. The airport reported 2,550 job hours in January 2010, but the actual hours worked as of that date could have been as high as 5,000 hours. Finally, while FAA reports jobs created or sustained under ARRA-funded AIP projects, it does not report similar job data for ARRA-funded F&E projects under Section 1201. Because FAA expended F&E funds using procurement contracts, not grants, Section 1201 reporting is not required. However, FAA has an opportunity to increase its transparency and accountability under ARRA by reporting the number of jobs created under ARRA-funded F&E projects. For example, from February 2009 to January 2010, we estimate that FAA missed the opportunity to report 41 additional jobs¹ created or sustained through F&E funding. With the Administration's current efforts to pass job legislation, it will be prudent and beneficial for the Department to apply lessons learned from ARRA to effectively measure the impact of any future job creation efforts.

We also identified areas where DOT can clarify aspects of its department-wide job data reports to better meet ARRA's transparency and accountability requirements. Specifically, DOT's Section 1201 Report to Congress does not differentiate whether ARRA-funded jobs were newly created or sustained (or a combination of both) or fully disclose how DOT calculated the total number of jobs funded.² In addition, the report does not include an estimate of the number of indirect jobs created or sustained in the associated supplying industries. While DOT plans to separate indirect jobs from total jobs in future reports, the proposed methodology does not consider factors such as wage increases that can reduce indirect jobs—which means DOT's indirect jobs estimates could be overstated.

We made five recommendations to FAA and DOT to improve job reporting under ARRA and future job creation efforts and to increase data accuracy and transparency.

¹ This number was derived by dividing 85,236 (the number of job hours worked on F&E projects) by 2080—the number of hours worked by a 40-hour work week employee in a year (40 hours x 52 weeks = 2080).

² During a discussion with DOT after the Section 1201 Report was released, DOT stated that (1) the jobs in the Section 1201 Report represent a combination of created and sustained jobs and (2) total jobs were calculated using the President's Council of Economic Advisers methodology of dividing total dollar outlays by \$92,000.

FAA HAS MET REQUIREMENTS TO DEVELOP REPORTS ON JOBS, BUT MORE CAN BE DONE TO REDUCE ERRORS

While FAA has met the ARRA requirement to provide reports on job data, the AIP job data in the ARRA reports provided to Congress, the Recovery Accountability and Transparency Board³ (Recovery Board), and the public contained errors. Although the number of errors declined in 2010 from 2009, we still identified reporting errors in FAA's portion of DOT's Section 1201 Reports to Congress, in airport sponsors' monthly reports to FAA, and Section 1512 Reports to the Recovery Board. The reporting issues continued to occur, in part, because FAA did not correct errors in the data it submitted for the DOT Section 1201 reports and did not routinely compare Sections 1512 and 1201 job data to identify potential discrepancies. DOT is scheduled to release its final Section 1201 reports on jobs over the next few months. Therefore, FAA has an opportunity to improve or correct errors in the data it submits for the DOT Section 1201 report.

FAA Did Not Correct Errors in Section 1201 Reporting

We identified errors in DOT's Section 1201 Report that FAA did not correct prior to inclusion in the report. For each month, the cumulative total number of job hours reported should equal or exceed the hours reported in the previous month. However, we found 65 of 268 airport sponsors (24 percent) reported fewer hours in a month than the previous month for the period July 2009 to April 2010.

Specifically, in DOT's September 2009 Section 1201 Report, 10 of the 65 airport sponsors reported fewer hours in August 2009 than in July 2009, indicating that an error occurred at some point in reporting. For example:

- One airport reported 20,000 hours in July 2009 and 3,700 in August 2009.
- A second airport reported 4,200 hours in July 2009 and 3,154 hours in August 2009.
- A third airport reported 3,313 hours in July 2009 and 258 hours in August 2009.

In DOT's May 2010 Section 1201 Report, 5 of the 65 airport sponsors reported fewer hours in February 2010 than in January 2010. For example:

³ The Recovery Accountability and Transparency Board was created by the American Recovery and Reinvestment Act of 2009 with two goals: (1) to provide transparency in relation to the use of Recovery-related funds and (2) to prevent and detect fraud, waste, and mismanagement. Twelve Inspectors General from various Federal agencies serve on the board. The Recovery Board issues quarterly and annual reports to the President and Congress, and if necessary, "flash reports" on matters that require immediate attention.

- One airport reported 8,232 hours in January 2010 and 4,916 hours in February 2010. The airport did not properly report cumulative hours in January 2010.
- A second airport reported 37,905 hours in January 2010 and 14,675 hours in February 2010. This airport had incorrectly included indirect job hours in the January data. FAA asked airports to report only direct job hours.
- A third airport reported 165,468 hours in January 2010 and 64,057 hours in February 2010. This airport had made a data entry error in the January report that overstated the data by more than 100,000 job hours, or the equivalent of 48 full-time jobs.⁴

According to airport officials, in each of these examples, the January data reported were incorrect, but FAA did not correct the errors before submitting them in DOT's May 2010 Section 1201 Report to Congress.

FAA Did Not Identify Errors in Section 1512 Job Reporting

Our review found significant discrepancies in the number of jobs reported by recipients under Section 1512 in 2009. Under Section 1512, Office of Management and Budget (OMB) guidance requires Federal agencies to perform a limited data quality review of the information submitted by ARRA grant recipients and notify recipients if two key data problems are found: material omissions and significant reporting errors. Federal agencies are required to do so before reports are made available on the ARRA Web site.

To evaluate the accuracy of job data reported under Section 1512, we compared (1) the number of jobs reported under Section 1512 to (2) jobs we calculated using monthly data used in Section 1201 reporting⁵ for 20 airport sponsors reporting the most jobs in 2009. Because Section 1512 data are reported in terms of Full Time Equivalent (FTE) and Section 1201 monthly data are reported in job hours (not FTEs), we converted the Section 1201 monthly data into FTEs to make the comparison. Exhibit C of this report contains additional details on our process for comparing Section 1512 and 1201 data.

Our comparison identified discrepancies between the numbers of jobs reported. Specifically, for 2009, we found discrepancies existed between Section 1512 and Section 1201 data for 17 of the 20 airport sponsors (85 percent). For 10 of those airport sponsors, the discrepancies exceeded 50 percent. These discrepancies indicate the number of jobs reported under Section 1512 in 2009 may be overstated, miscalculated, or simply entered in error. Airport officials provided a

⁴ This number was derived by dividing 100,000 hours by 2,080 hours—the number of hours worked by a 40-hour week employee in a year (40 hours x 52 weeks = 2080).

⁵ FAA uses the job data that airport sponsors report monthly to calculate the jobs in the DOT Section 1201 Report. For this reason, we refer to the monthly data as “Section 1201 data” in this report.

number of explanations for the discrepancies, including confusion in the early reporting periods about how to report job numbers, use of a “head count” rather than number of hours worked as a basis for reporting, and data entry errors.

FAA currently does not routinely compare Section 1512 and Section 1201 job data to identify potential errors in airport sponsor Section 1512 and 1201 reporting. Instead, FAA performs a validation and outlier identification review. However, using this methodology, FAA identified potential errors in only 11 of the 17 airport sponsors’ discrepancies that we identified by comparing the 2 data sets.

For 2010, the number of airports with discrepancies between Section 1512 and Section 1201 job data decreased to five. Improvements may have occurred, in part, because OMB updated its guidance⁶ and airport sponsors gained more experience in reporting job data. Exhibit D provides more information on our comparison between 2009 and 2010 jobs data.

DOT ARRA FUNDS HAVE CREATED JOBS, BUT THE FULL EXTENT IS UNCLEAR DUE TO REPORTING ERRORS AND OMISSIONS

Because of errors we identified in job data, the full extent to which ARRA-funded AIP and F&E projects are creating or sustaining jobs is unclear. Specifically, we identified three factors that contributed to a lack of job data reliability: (1) documentation did not match job hours reported, (2) data reporting methods among airport sponsors were inconsistent, and (3) FAA did not report job data for its F&E projects.

Documentation Did Not Match AIP Job Hours Reported

At 5 of the 10 airports where we obtained contractors’ certified payroll data totaling \$54 million, supporting documentation did not match the job hours reported as of December 31, 2009.⁷ For example:

- One airport could not provide adequate documents to support 3,166 of 14,009 job hours reported (23 percent unsupported). Similarly, a second could not support 743 of 8,280 job hours reported (9 percent unsupported). Discussions with these airports’ sponsors and contractors revealed the discrepancies were due to hours worked by salaried employees (e.g., supervisors, managers, and administrative staff), which do not require certified payroll records. However, the contractor provided estimates of hours

⁶ OMB modified its guidance to require recipients to report job estimates on a quarterly, rather than cumulative, basis. Additionally, it no longer requires recipients to determine if a job was created or retained but to report only whether jobs are funded by ARRA dollars.

⁷ We reviewed the data airports reported monthly to FAA that are used in Section 1201 reporting. Refer to Exhibit E for more information on our review of the 10 airports.

worked but could not provide documentation to support the hours worked by these employees because they do not maintain formal records.

- One airport could not provide adequate documents to support 1,939 of 41,824 cumulative work hours reported (5 percent unsupported) for paving and electrical work.
- One airport had support for 18,150 job hours, but only reported 16,785 (8 percent not reported). Discussions with the airport sponsor revealed that discrepancies occurred because contractors frequently submitted late payroll records used by the airport to obtain its job data. Without complete payroll records, the airport sponsor consistently underreported its job data.
- One airport that received two ARRA grants had support for 12,883 job hours, but only reported 4,564 (65 percent not reported). The discrepancy for one grant was because the airport sponsor did not properly accumulate work hours. The difference for the other grant was because the airport sponsor relied on a manufacturer's estimate of the number of job hours required to build an Aircraft Rescue and Firefighting vehicle. During the audit, the manufacturer provided documentation to us with the actual hours required for the project, which differed from the estimate.

Some Airports Did Not Follow FAA Guidance To Report Jobs Based on Valid Invoices

We found disparities in the timing of job reporting practices among the airports in our sample. Under Section 1201, FAA requires airport sponsors to report direct job hours as invoices are received from the contractor and approved for payment by the airport sponsor. Six of the 10 airports in our sample complied with this requirement and waited to report their direct job hours. This process can take a month or more after the work actually took place. However, the other four airports in our sample reported direct job hours as the work occurred.

While Not Required, FAA Could Report Job Data for ARRA-Funded F&E Projects Under Section 1201

FAA does not include the number of direct jobs for each of its F&E projects in the Section 1201 Report to Congress. Grant recipients reporting under Section 1201 are required to, among other things, report the number of direct, on-project jobs created or sustained by the project funded with ARRA dollars. However, for the \$200 million designated for ARRA-funded F&E projects, FAA used procurement contracts, which is the Agency's usual practice, for air traffic equipment and construction. Since these contractors are not grant recipients, Section 1201 reporting requirements do not apply. Although FAA is not required to report these data, the Agency is not prohibited from doing so.

In fact, FAA's F&E contractors are already reporting project job data and other data required under ARRA Section 1512 using an online form. This is because, unlike Section 1201, Section 1512 provides a more broad-based definition of a recipient: "any entity that receives recovery funds directly from the Federal Government, including recovery funds received through grants, loans, or contracts [emphasis added] other than an individual."

Although the Section 1512 F&E job data are publicly available, DOT's Section 1201 reports are submitted to Congress to provide specific insight into the use of DOT's ARRA funding. As stated in the report: "Congress has insisted upon a high level of accountability in the expenditure of funds under the Recovery Act and [the Section 1201 reports] ensures that the recipients of transportation funding provide transparency and accountability for their Federal funds." Thus, DOT has an opportunity to increase the transparency and accountability of funding reported under ARRA by reporting the F&E jobs in the Section 1201 report.

Additionally, F&E contractors are already reporting monthly job data to FAA similar to the monthly data that airports report to FAA that are used in Section 1201 reports. FAA has the F&E job data available, but it does not publish these data.

Also, the Section 1512 data differ from how the job data are reported under Section 1201 and do not allow decision makers or the general public to make an easy comparison between the two. Reporting Section 1512 data alongside Section 1201 data in the same report would allow decision makers and the public to have a complete picture of the effect of ARRA funding on job creation.

- Section 1512 data are reported in terms of full time equivalent jobs worked in a quarter of the year while Section 1201 data are reported as job years, which is the number of full time jobs in a year.
- Section 1512 job data are reported each calendar quarter and include only those jobs created or sustained in the reporting quarter. Section 1201 job data are the cumulative number of jobs created or sustained by a project from its inception and are reported periodically (i.e., 90 days, 180 days, 1 year, 2 years, and 3 years after the date of the passage of the ARRA law on February 17, 2009).

DOT'S 1201 REPORTS COULD BETTER MEET ARRA'S TRANSPARENCY REQUIREMENTS

We identified three areas where DOT can clarify aspects of its department-wide job data reports to better meet ARRA's transparency and accountability requirements.

First, while DOT reports the total number of on-project, ARRA-funded jobs,⁸ it does not specify how it calculated this total⁹ or whether the jobs were created, sustained, or a combination of both. DOT could better meet ARRA's transparency requirements by explaining its reporting method in the Section 1201 report.

Second, for the past 2 years DOT has been working to develop a consistent methodology to meet the ARRA requirement to report, to the extent possible, the number of indirect jobs created or sustained in the associated supplying industries (e.g., concrete and steel companies providing materials to construct airport runways). While DOT's effort is a good step, we are concerned about its pace and execution. DOT's May 2010 report¹⁰ did not include this information, and DOT has yet to release its next 1201 report. Further, DOT's proposed methodology does not consider factors such as wage increases, which can reduce the amount of jobs that can be created or sustained from a given amount of money. Therefore, the extent to which ARRA funding resulted in indirect jobs for DOT projects remains unknown and could be overstated in any future reports.

Finally, DOT's Section 1201 Report does not disclose that various DOT agencies use different methods and timing to report their ARRA jobs, which hinders the accuracy of DOT's job estimates. For example, FAA instructed airports to report direct jobs based on valid invoices, while the Federal Transit Administration instructed recipients to report direct jobs regardless of whether they are invoiced. Further, as we reported in November 2009,¹¹ the Office of the Secretary of Transportation intends to report both indirect and total jobs as created on the date recipients are reimbursed for expenditures on the projects generating those jobs. Since expenditures may not be reimbursed until well after a project has started, this could result in a major lag between when new jobs are actually created and when they are reported, creating ambiguity in the estimates.

CONCLUSION

Complying with ARRA requirements on an expedited timeline and with unprecedented levels of transparency has been a difficult task for Federal agencies and recipients. While job reporting has improved over time, it is incumbent upon the Agency and Department to consider additional improvements that will

⁸ DOT defines on-project jobs as direct, onsite jobs. Direct jobs include onsite employment and other employees directly working on the project, such as managers and engineers.

⁹ According to DOT officials, the total jobs were calculated using the President's Council of Economic Advisers (CEA) methodology of dividing total dollar outlays by \$92,000.

¹⁰ In its May 2010 Section 1201 Report (which includes data from February 17, 2009, through January 31, 2010), DOT reported that 95,000 total jobs (i.e., direct, indirect, and induced jobs) were created or sustained by ARRA investments in transportation. Induced jobs are jobs created when employees spend their increased incomes on consumer goods and services.

¹¹ OIG Report Number MH-2010-024, "DOT's Implementation of the American Recovery and Reinvestment Act: Continued Management Attention Is Needed To Address Oversight Vulnerabilities," November 30, 2009. OIG reports are available on our Web site at <http://www.oig.dot.gov>.

accurately reflect the success of the program as well as inform future job creation efforts. This is particularly important because DOT is scheduled to release its final Section 1201 report on jobs over the next few months. This final report will be used as a basis to judge the overall success of ARRA in terms of creating and sustaining jobs and could be used for any future job creation efforts similar to ARRA.

RECOMMENDATIONS

To better meet ARRA requirements of accountability and transparency, we recommend that the Acting FAA Administrator:

Require the Associate Administrator for Airports to:

1. Develop a process for new data that compares month to month cumulative job data reported by airport sponsors and contact sponsors to resolve discrepancies when the current month shows fewer hours than the prior month.
2. Review and resolve discrepancies between Section 1512 job data reported quarterly to the Recovery Board and job data reported monthly to FAA for the same 3-month period by contacting airport sponsors when discrepancies occur to determine if an error in reporting took place.
3. Issue an advisory notifying airport sponsors that they are to count jobs created or sustained based on valid invoices.

Require the Chief Operating Officer, Air Traffic Organization to:

4. Submit to the Department job data from ARRA-funded Facilities and Equipment projects for consideration in its Section 1201 reports to Congress.

To better meet ARRA requirements of accountability and transparency department-wide, we recommend that the Assistant Secretary for Transportation Policy:

5. Separately report indirect jobs in its upcoming ARRA Section 1201 Reports and address data limitations in its job reports to increase ARRA transparency and accountability.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided the Agency our draft report on November 21, 2011, and received DOT's and FAA's formal response on December 16, 2011, and have included it as an appendix to this report. In its response, FAA concurred with recommendation 3 and partially concurred with recommendations 1, 2, and 4. DOT concurred with its single recommendation (recommendation 5). FAA's planned actions for recommendations 3 and 4 and DOT's planned actions for recommendation 5 are responsive, and we consider these recommendations resolved but open pending completion of planned actions.

For recommendations 1 and 2, FAA stated that further evaluation of job data submitted by grant recipients would be of limited utility because all ARRA grant projects at airports are 100 percent completed and 99 percent of grant funds have been expended, resulting in few additional jobs being reported by the recipients. Accordingly, FAA is requesting that these recommendations be closed. We disagree that further evaluation of job data would be of limited utility regardless of whether projects have been completed and funds expended. FAA has collected ARRA job data since 2009, including data that has yet to be reported out. For example, ARRA requires airport sponsors to report to FAA no later than February 17, 2012, on the total jobs created for their projects since ARRA was enacted. There is no certainty that these numbers are reliable without further evaluation. February 2012 is the final month that airport sponsors are required to submit Section 1201 job data, and FAA has ample time to ensure that these data are complete and reliable before DOT submits its final Section 1201 report to Congress later this year. Given the importance of accurate job reporting as a basis for assessing ARRA's impact and informing future job creation efforts, we request that FAA reconsider its position and implement the recommendations for the final DOT Section 1201 report due this year. Also, we request that FAA review and resolve discrepancies with any remaining section 1512 reports because these reports could also benefit from additional scrutiny to ensure accuracy.

For recommendation 4, FAA partially concurred, stating that while ARRA F&E project information is not required under 1201 reporting, the Agency would provide this information to DOT for consideration regarding whether it should be included in future 1201 reports. Therefore, we consider this recommendation resolved but open until FAA completes its planned action. We encourage DOT to take this opportunity to increase the transparency and accountability of funding reported under ARRA by including F&E jobs in the Section 1201 report.

In addition, FAA took issue with some of our methodologies and conclusions, in particular our comparison of the 1512 and 1201 data sets and findings on job data errors. However, in comparing 1201 and 1512 data we used the same methodology

FAA used to validate jobs data for ARRA-funded F&E projects. We also disagree with FAA's statement that errors we found in jobs data were "minimal." Specifically, our data for 20 airport sponsors reporting jobs data under Section 1512 show an overall error rate of 46 percent in 2009 and 42 percent for January to March 2010. While the overall error rate for Section 1201 data at 10 airports reviewed was much less (6 percent), the percentage of errors ranged from 5 percent to 65 percent at the airports where errors occurred. We also found that the largest numbers of jobs not supported or not reported occurred at smaller airports, which made up most of the airport sponsors funded under ARRA (see exhibit D for detailed data).

Finally, DOT disagreed with our statements on indirect jobs, stating that it completed its estimates of indirect jobs and total employment and made them available to the OIG. DOT also stated that, contrary to our report, these estimates do take into account wage increases since its total employment estimate is based on Council of Economic Advisers guidelines, which include structural macroeconomic models of job creation. However, DOT's estimate of total employment provided to us consists of a single number of 95,000 total jobs and does not break out indirect jobs separately. While DOT will report indirect jobs separately in the upcoming 1201 report (in accordance with ARRA and our recommendation 5), it will use a different method than what it used for total jobs. Therefore, we remain concerned that DOT's planned method will not consider factors such as wage increases and could overstate the number of indirect jobs.¹²

ACTIONS REQUIRED

For recommendation 1 and 2, we are requesting that FAA reconsider its position and, in accordance with Department of Transportation Order 8000.1C, provide us this additional information within 30 days. FAA's planned actions for recommendations 3 and 4 and DOT's planned actions for recommendation 5 are responsive, and we consider these recommendations resolved but open pending completion of the planned actions.

We appreciate the courtesies and cooperation of DOT, FAA, and airport representatives during this audit. If you have any questions concerning this report, please contact me at (202) 366-1427 or Scott Macey, Program Director, at (415) 744-3090.

¹² In 2010, DOT provided us with its methodology for calculating estimates of indirect jobs, but estimates from the methodology do not take wage increases into account.

EXHIBIT A. SCOPE AND METHODOLOGY

We conducted this performance audit from December 2009 through November 2011. We conducted this 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.

To evaluate whether job data satisfied ARRA requirements, we selected the airports that reported the highest job hours under Section 1512 from February 17, 2009, through December 31, 2009. The airports were drawn from reports publicly available on www.recovery.gov. To evaluate the accuracy of job data reported under Section 1512, we compared the number of jobs reported to Section 1201 for the 20 airports in our review for the same period of time. Since Section 1512 and 1201 job data are reported differently, we converted the job hours reported monthly used for Section 1201 reporting to the same format as data reported under Section 1512.

To assess whether AIP and F&E projects funded under ARRA are creating and sustaining jobs, we reviewed supporting documentation including but not limited to: certified payroll, invoices, and accounting system reports to ensure the support matched the job hours reported for Sections 1201 and 1512 in the airports we reviewed.

Specifically, for AIP, the OIG statistician developed a statistical sample of airports that received ARRA funding. This methodology resulted in a sample of 10 airports out of 306 airports which resulted in the selection of 10 out of 268 airport sponsors that reported job hours for inclusion in DOT's Section 1201 Report, dated May 7, 2010 (which includes data from February 17, 2009, through January 31, 2010).

For F&E projects, the OIG statistician developed a simple random sample of 10 out of 41 contracts with award amounts over \$1 million as of June 2010. This methodology resulted in a sample of 10 projects with a value of \$35 million from the universe of 368 projects totaling \$146 million.

We interviewed FAA Headquarters AIP and F&E officials, Airport District Office personnel, airport sponsors, contractors, and subcontractors to find out their roles and responsibilities in the job data collection, validation, and reporting processes. Exhibit B lists the entities we contacted or visited during our review. We also examined the requirements of Section 1201 and 1512 as it pertains to Public Law 111-5 "American Recovery and Reinvestment Act of 2009" and guidance from

DOT and OMB. We reviewed FAA policies and procedures on ARRA reporting. We analyzed airport, contractor, and subcontractor documentation to validate job hours incurred on ARRA-funded projects. We reviewed Section 1201 and 1512 job data reports to support the accuracy of number of jobs being reported. We evaluated FAA job data records as another means to validate and reconcile job hours incurred on projects.

EXHIBIT B. ORGANIZATIONS VISITED OR CONTACTED

Department of Transportation

Office of the Secretary, U.S. Department of Transportation

FAA

FAA Headquarters, Washington, DC
 Airport District Office, Burlingame, California
 Airport District Office, Dulles, Virginia

Airport Sponsors for Airport Improvement Projects

Alaska Department of Transportation and Public Facilities
 Allegheny County Airport Authority, Pennsylvania
 Boca Raton Airport Authority, Florida
 Charlotte County Airport, Florida
 City of Bartlesville, Oklahoma
 City of Baton Rouge, Louisiana
 City of Carson City, Nevada
 City of Driggs, Idaho
 City of Dunkirk, New York
 City of Laredo, Texas
 City of Monroe, Louisiana
 City of Okmulgee, Oklahoma
 City of Stillwater, Oklahoma
 City of Wilbur, Washington
 Coos County Airport District, Oregon
 County and City of Spokane, Washington
 County of Buncombe and City of Asheville, North Carolina
 County of Hancock, Maine
 Illinois Department of Transportation
 Indianapolis Airport Authority
 Las Cruces International Airport, New Mexico
 Massachusetts Port Authority
 Metropolitan Washington Airport Authority, Virginia
 Northwest Arkansas Regional Airport Authority
 Owensboro-Daviess County, Kentucky
 Rhode Island Airport Corporation
 Sarasota Manatee Airport Authority, Florida
 Texas Department of Transportation
 Town of Morristown, New Jersey
 Tupelo Airport Authority, Mississippi

Contractors for Facilities and Equipment Projects

Barnstable Airport Commission, Massachusetts

CCI Group, LLC, Georgia

Daniel J Keating Co, Pennsylvania

Eaton Corporation, Ohio

Jacobs Engineering, California

Power Paragon Inc., California

Scalfo Electric, New Jersey

EXHIBIT C. COMPARISON OF SECTION 1512 TO SECTION 1201 JOB DATA

Under Section 1512, recipients of ARRA funding are required to determine the number of hours FTEs worked each quarter of the year. OMB guidance established the computation for recipients of ARRA funding to divide the number of hours worked during a quarter by the number of hours in a full time schedule in the quarter. For example, if a full time schedule is 2080 hours per year (52 weeks per year times 40 hours per week), then the full time hours in a quarter are 520 (2,080 hours divided by 4 quarters per year). The formula for reporting is represented as:

Total Number of Hours Worked and Funded By Recovery Act within Reporting Quarter <hr style="width: 50%; margin: 5px 0;"/>	=	FTE
Quarterly Hours in a Full-Time Schedule		

Source: OMB “Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non Reporting Recipients, and Reporting of Job Estimates.” December 18, 2009

To determine jobs reported in its periodic Section 1201 Reports, the Department used data reported monthly by airport sponsors. The Department requires recipients to report monthly on the cumulative number of job hours worked on the project. We refer to these data as the “Section 1201 data” in our report.

Because Section 1512 data are reported in terms of FTEs, in order to compare the Section 1201 and Section 1512 data, we converted Section 1201 job hours reported monthly into FTEs.

We also used the same time periods between Section 1512 and Section 1201 monthly data. For example, in 2009, there were two reporting periods for Section 1512 data. The first reporting period included jobs funded between February 17, 2009, through September 30, 2009. The second reporting period included jobs funded from October 1 through December 31, 2009. We used the Section 1201 monthly data that included jobs funded over the same time period (from February through December 2009) to calculate FTEs and make our comparison to Section 1512 data.

The comparison between Section 1512 data and the Section 1201 monthly data is possible because the Section 1201 monthly data consist of job hours, and job hours are used to calculate Section 1512 job data. Under OMB’s formula for Section 1512 reporting, recipients of ARRA funding calculate FTEs by dividing: (1) job hours worked in a quarter of the year by (2) the number of hours in a full time

schedule for the quarter, which equals 520 hours (for a person working a 40-hour week schedule).¹³ From the Section 1201 monthly data, we used the job hours reported to DOT in 2009 and divided by 520 for our calculation of FTEs.

Table C-1 below illustrates our comparison for two of the airports we reviewed. In the table, Column B shows that the first airport reported 92 FTEs under Section 1512 in 2009. This is the sum of the FTEs reported in the two reporting periods of 2009—covering jobs reported from February to December 2009. Column C shows the total 15,032 job hours (Section 1201 hours) the airport reported as worked in 2009—from February through December 2009. Column D shows the 29 FTEs that we calculated for 2009 using the OMB formula of dividing job hours worked by 520 ($15,032 / 520 = 29$). We contacted the airport to discuss the discrepancy between the Section 1512 FTEs it reported (92) and the FTEs we calculated (29) using Section 1201 monthly data. The airport made an error in reporting because it incorrectly used the OMB formula to calculate the FTEs.¹⁴

The second airport in the table reported 202 FTEs under Section 1512 in 2009 (column B), which closely matched the 201 FTEs that we calculated (using Section 1201 monthly data (Column D). We considered this a minor discrepancy and not indicative of an error.

Table C-1: Comparison of Section 1512 and Section 1201 FTE Jobs

Airport	Section 1512 Total FTEs reported in 2009	Section 1201 total job hours reported in 2009	Section 1201 FTEs Calculated for 2009 (Column C divided by 520)	Difference between Sect 1512 and 1201 FTEs (Column B - Column D)	Indication of a Potential Error in Reporting
(Column A)	(Column B)	(Column C)	(Column D)	(Column E)	(Column F)
1	92	15,032	29	63	Yes
2	202	104,654	201	1	No

¹³ The 520 hours is calculated in this manner: (40 hours per week x 52 weeks per year) divided by 4 quarters in a year equals 520 hours per quarter.

¹⁴ The airport used “250” instead of “520” as the divisor in the OMB formula to calculate FTEs in the third quarter of 2009.

EXHIBIT D. REVIEW OF JOB DATA TO DETERMINE COMPLIANCE WITH ARRA REPORTING

To evaluate the accuracy of job data reported under Section 1512, we compared the number of jobs reported to Section 1201 for 20 airport sponsors and identified discrepancies between the numbers of jobs reported. We found differences between job data reported under Section 1512 and Section 1201 for 10 airport sponsors were 50 percent or greater. Overall, discrepancies existed between Section 1512 and Section 1201 data for 17 of the 20 airports (85 percent). Table D-1 shows our comparison of the job data from ARRA's inception in February 2009 through December 2009.

Table D-1. Comparison of Job Data as of December 2009

Airport Sponsor	Sec 1512 FTEs Thru Dec 2009 ¹	Sec 1201 FTEs Thru Dec 2009 ²	Difference in FTE	Percentage Difference	Rationale for Discrepancy ³
1	252	208	44	17%	Formulation Error
2	217	161	56	26%	QT 3 Reported non-ARRA hours ⁴
3	202	11	191	95%	Data Input Error
4	202	201	1	0%	N/A
5	163	19	144	88%	QT 3 Counted number of people
6	151	38	113	75%	QT 3 Counted number of people
7	147	69	78	53%	QT 3 Counted number of people, QT 4 data entry error ⁵
8	143	41	102	71%	QT 3 Lack of guidance, QT 4 FAA had incorrect data
9	139	105	34	24%	QT 4 Incorrect Methodology for reported FTEs
10	110	41	69	63%	Incorrect Methodology for Reported FTEs
11	108	80	28	26%	Sponsor made reporting error
12	101	86	15	15%	Incorrect formula used
13	100	4	96	96%	Failure to accumulate job hours and data entry error
14	95	17	78	82%	QT 3 reported full time jobs instead of FTE's for 1512
15	94	63	31	33%	QT 3 Counted number of people
16	92	29	63	68%	Incorrect formula used in QT3
17	81	80	1	1%	N/A
18	79	64	15	19%	Reported an estimate instead of FTEs
19	78	32	46	59%	QT 3 Counted number of people
20	76	75	1	1%	N/A

Source: OIG analysis

Notes:

¹ Job data from Section 1512 Reports in 9/30/09 and 12/31/09 from www.recovery.gov.

² Section 1201 job data from FAA converted to FTEs by dividing cumulative job hours on 12/31/09 by 520

³ We took exception to discrepancies when the difference between jobs reported under Section 1201 and 1512 exceeded two FTEs and the airport sponsor did not provide a reasonable explanation.

⁴ QT 3 represents reporting at the end of the third quarter of 2009, which ended September 30, 2009.

Because this was the first reporting period, it covered February 17 to September 30, 2009.

⁵ QT 4 represents reporting in the fourth quarter of 2009, which was from October 1 to December 31, 2009.

Table D-2 shows that we compared Section 1512 and Section 1201 job data from January 1, 2010, through March 31, 2010, and found discrepancies decreased. The number of airports with differences of 50 percent or more decreased from 10 to 5 airports. Nevertheless, the differences between job data reported under Section 1512 and Section 1201 for 4 of these 5 airports was 95 percent or greater.

Table D-2. Comparison of January–March 2010 Job Data

Airport Sponsor	Section 1512 FTE's Thru Jan - Mar 2010 ¹	Section 1201 FTE's Thru Jan - Mar 2010 ²	Difference in FTE's	Percentage Difference	Rationale for Discrepancy
1	125	125	0	0%	N/A
2	17	3	14	82%	N/A ³
3	20	0	20	100%	N/A
4	8	8	0	0%	N/A
5	Waived due to flooding	0	0	N/A	N/A
6	34	39	5	15%	N/A ³
7	20	20	0	0%	N/A
8	1	13	12	Note 5	N/A ³
9	105	5	100	95%	Calculation Error with 1512
10	3	1	2	67%	N/A ^{3,4}
11	11	11	0	0%	N/A
12	52	1	51	98%	Calculation Error with 1512
13	0	4	4	Note 5	Failure to Accumulate 1201 Hours
14	4	4	0	0%	N/A
15	0	0	0	0%	N/A
16	1	1	0	0%	N/A
17	11	6	5	45%	Input Error
18	41	0	41	100%	Calculation Error with 1512
19	26	26	0	0%	N/A
20	22	24	2	8%	N/A

Source: OIG analysis

Notes:

¹ Job data from Section 1512 Reports on 3/31/10 from www.recovery.gov. Numbers rounded to nearest whole number.

² Section 1201 job data from FAA converted to FTEs by dividing job hours from 1/1/10 - 3/31/10 by 520.

³ We did not consider this a discrepancy because of a timing difference between when Section 1201 and Section 1512 data are reported by these airport sponsors. The sponsors followed FAA guidance to recognize job hours when invoiced for monthly reporting used for job reporting under Section 1201 and reported Section 1512 jobs under OMB guidance as quarterly estimates of jobs created and retained.

⁴ The difference between Section 1512 and Section 1201 data was attributable, for the most part, due to the rounding of data by the airport sponsor.

⁵ Percentage difference greater than 100 percent.

EXHIBIT E. VALIDATION OF JOB HOURS REPORTED ON ARRA AWARDED GRANTS AND CONTRACTS SAMPLED

We reviewed a sample of 10 AIP grants and 10 F&E contracts and validated job hours reported to supporting documentation including but not limited to certified payrolls, invoices, and accounting system reports to ensure AIP and F&E projects funded under ARRA were creating or sustaining jobs.

Table E-1 shows the 10 airports reviewed in our statistical sample to determine if AIP job hours were supported. We found that of the 245,472 job hours for \$53,982,678 in grants, approximately 6 percent were unsupported or unreported. The majority of job hours were supported. However, at the airports where jobs were not supported or not reported, the percentage of these jobs ranged from 5 percent to 65 percent. Also, the largest numbers of jobs not supported or not reported occurred at smaller airports (such as small, general aviation, and non hub airports¹⁵), which make up the majority of the airport sponsors funded under ARRA.¹⁶ We reviewed job hours reported as of December 31, 2009.

Table E-1. Comparison of Job Hours Reported and Supported

Airport	Grant Award	Job Hour Reported	Job Hours Not Supported	Job Hours Not Reported
1	\$3,453,275	14,009	3,166	-
2	2,834,501	15,344	-	-
3	5,707,871	8,280	743	-
4	14,900,000	83,750	-	-
5	569,354	1,891	-	-
6	9,600,332	38,066	-	-
7	3,086,000	16,785	-	1,365
8	8,536,160	41,824	1,939	-
9	2,968,530	4,564	-	8,319
10	2,326,655	20,959	-	-
Total	\$53,982,678	245,472	5,848	9,684

Source: OIG analysis of job data from airport sponsors

Table E-2 indicates the 10 projects reviewed in our statistical sample to determine if F&E job hours were supported. We found that of the 14,124 job hours for \$35,223,720 in contracts, all of the job hours were supported. The contractors and

¹⁵ FAA classifies “primary” commercial service airports on the basis of their percentage of annual passenger boardings nationwide (e.g., **large**--1 percent or more; **medium**--between 0.25 and 1 percent; **small**--between .05 and .25 percent; and **nonhub**--less than 0.05 percent, but more than 10,000 passengers). FAA categorizes all remaining airports as “nonprimary” (e.g., airports that receive between 2,500 and 10,000 passenger are classified as **commercial service (CS)**; airports handling excess air traffic from primary airports are classified as **relievers**; and all remaining airports are classified as **general aviation (GA)**).

¹⁶ We did not obtain data with airport size in 2009. We examined data with airport size from June 2010.

subcontractors provided certified payrolls, invoices, and accounting system reports to reconcile to the job hours reported on a monthly basis to FAA. We reviewed job hours reported from January 1, 2010, through March 31, 2010.

Table E-2. Facilities and Equipment Contract Documentation

Airport	Contract Award	Job Hour Reported	Job Hours Unsupported	Percent Calculation
1	\$1,647,786	0	-	-
2	2,483,000	898 ¹	-	-
3	1,984,755	18	-	-
4	2,620,000	2,770	-	-
5	2,114,644	32	-	-
6	14,816,723	3,891	-	-
7	1,835,612	4,716	-	-
8	2,360,600	899 ¹	-	-
9	2,360,600	899 ¹	-	-
10	3,000,000	0	-	-
Total	\$35,223,720	14,124	-	-

Source: OIG analysis of various F&E contractors' monthly job reports to FAA

Note: Materiality was established by FAA and OIG of more than one FTE.

¹ A scope limitation was that we are not able to validate the job hours for each of this contractor's five task orders, so we calculated job hours based on FTEs reported for the quarter, which assumed an equal distribution of job hours among the task orders for this contractor.

EXHIBIT F. MAJOR CONTRIBUTORS TO THIS REPORT

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APPENDIX. AGENCY COMMENTS

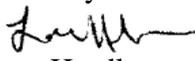


**U.S. Department of
Transportation**

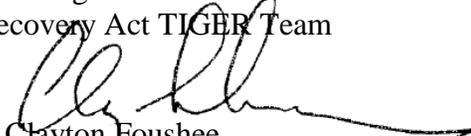
Office of the Secretary
of Transportation

Memorandum

Subject: **ACTION:** Management Response to OIG Draft Report on Recovery Act Job Data for FAA Programs Date: **DEC 16 2010**

From: 
Lana Hurdle
Deputy Assistant Secretary for Budget
and Programs and Co-Chair of DOT
Recovery Act TIGER Team


Joe Szabat
Deputy Assistant Secretary for Policy and
Co-Chair of DOT Recovery
Act TIGER Team


H. Clayton Foushee,
FAA Director, Office of Audit and
Evaluation (AAE-1)

To: Calvin L. Scovel
Inspector General

The Department's efforts to implement its statutory responsibilities with regard to the American Recovery and Reconstruction Act of 2009 (Recovery Act) were enormously successful and fully complied with statutory direction and Office of Management and Budget (OMB) expectations as enumerated in its formal guidance and as recognized in our continuing interactions. It is easy to forget the considerable challenges in place at the time of the Recovery Act's passage at the very beginning of this Administration. Expectations for action were very high while implementation time frames were extremely short. The Department's management and staff quickly banded together in an unprecedented intermodal team to provide consistent leadership, direction and oversight of Recovery Act work across the Department. By working effectively together, the TIGER team was able to achieve and in some cases surpass expectations for implementing the Recovery Act.

Overall, recipients reported estimates of over 6,000 jobs resulting from FAA's Recovery Act efforts. These Americans would have likely been unemployed at some point during the duration of this Act, had it not been for these efforts. The Recovery Act was unique in its intent and methods to demonstrate its results to the American people. Specifically, we have never before been faced with efforts to enumerate estimates of the number of jobs generated as a result of legislation and to report them quickly to the public. This in itself was an enormous undertaking, fraught with complications that had to be worked out in real-time during implementation. In this regard we also believe that we met or exceeded expectations based on direct and continuous feedback from OMB.

While we appreciate the OIG report's recognition that FAA met the Recovery Act requirement to provide reports on job data, which continued to improve over time, we have a number of concerns about the OIG report. For example, we disagree that there was a "lack of adherence to Recovery Act reporting requirements," by FAA or the Department. Further, we also disagree that the OIG is unable to assess the extent of job creation, "because of errors and inconsistencies in the collection and reporting of job information," by the Department. While we recognize that improvements are always possible, and we continue to monitor, according to expectation, the jobs reporting by grant recipients, we find that a number of the issues identified in the report are either incorrect, or inaccurately attribute causality.

Finally, we note that FAA funds were fully-obligated in accord with timing requirements and have been nearly completely expended. As a result, with the exception of any appropriate continuing data reporting, its efforts with regard to the Recovery Act are essentially complete.

Multiple Jobs Reporting Requirements Unique to DOT

DOT was the only Federal agency subject to multiple and somewhat inconsistent jobs reporting requirements. Section 1512 reporting was a governmentwide requirement for recipients to report employment directly to the Recovery Act Transparency Board. These estimates went directly to centralized databases that offered the Department limited accessibility for providing oversight. However, DOT's efforts produced one of the most comprehensive reporting sets in the government for its programs.

While Section 1512 was intended to offer a snapshot in time of employment attributable to the Recovery Act, DOT was the only agency subject to Section 1201 reporting, which called for a more cumulative approach in "job-years." The OIG credits the FAA with meeting statutory requirements for job reporting under the Recovery Act; however, it also takes an expansive perspective calling for resource intensive data validation activities and inter-reporting comparisons of limited additional marginal utility.

FAA Complied with Section 1512 Job Reporting Requirements

Without the benefit of significant additional resources for oversight, FAA effectively complied with Section 1512 requirements. The methodology for Section 1512 job reporting evolved as OMB issued seven successive guidance memoranda between June 2009 and April 2010. Many of these offered significant revisions from previous guidance with regard to how and when jobs should be counted and further complicated reporting for fund recipients and oversight for the Agencies.

We believe that the OIG report has several methodological errors in its discussion of Section 1512 jobs reporting. Foremost is its use of a comparison between 1512 reporting and monthly cuff records kept by the FAA for 1201 reporting. As we enumerated in our April exit meeting, the changing guidance from OMB would, by definition, make such comparison vary over time and produce inconsistencies. Other matters of timing and divergent methodology further limited the potential utility of such comparison. While based upon its

Appendix. Agency Comments

methodology, the OIG may have identified discrepancies between reports; it is an overstatement to label these as “errors” in the report’s section heading. Further, as we consider comparing 1512 and 1201 data to be an “apples and oranges” comparison that does not provide a useful data check for validating 1512 reporting, the OIG report could better recognize that FAA did, as required, perform data validation activities that were effective at contributing to continued data accuracy improvements.

Finally, the OIG report should better recognize the governmentwide issues that occurred with Section 1512 reporting. Much of the discrepancies identified were not necessarily the result of FAA actions. For example, the report uses data from the beginning of the program (December 2009) as its baseline for analyzing the effectiveness of FAA oversight of recipients’ job reporting. This is misleading in that it does not take into account major problems with Section 1512 reporting that GAO identified governmentwide, which necessitated a major subsequent guidance revision from OMB.

FAA Complied with Section 1201 Job Reporting

The OIG report asserts that retrospective data verification was expected and remained unfulfilled by FAA with regard to Section 1201 reporting. This is not correct, and was discussed at length with the OIG in our April exit meeting. The OIG report establishes an implied expectation for revising information, previously reported by recipients that were subsequently found to be in error. As described, there is no mechanism to accomplish such data revisions, with the exception of subsequent reporting correcting the data. In fact, the OIG findings of airports subsequently reporting less hours than in the prior period is an indication that FAA oversight was effective at identifying errors, and providing corrected data. For example, FAA identified situations where a grant recipient has both Recovery Act and non-Recovery Act work being conducted concurrently with the same contractors, and job hours are apportioned for workers after the project is completed. In each of the examples cited in the report where we were able to identify the grant recipient in question, the FAA discovered that the initial entries were a result of clerical errors, which were, in many cases, identified through its internal validation process.

Overall, we recognize that some aspects of Section 1201 reporting may be confusing and during the Recovery Act implementation the Department took steps to add greater clarity. For example, the Department added explanation in its 2010 report to the Congress on 1201 reporting with respect to how we calculated the total number of “on-project, Recovery Act-funded jobs,” and we also specified “whether the jobs were created, sustained, or a combination of both.” The 2010 report includes a brief discussion of how we gathered data on direct on-site jobs, indirect jobs, and total employment. We also provided more detailed information on how we calculate each category of jobs on our Recovery Act website in the document, *“Estimates of Jobs Created by Department of Transportation Programs under the American Recovery and Reinvestment Act of 2009,”* <http://www.dot.gov/recovery/docs/090609jobestimates.htm>.

The Department has also fulfilled the expectation in Section 1201 for indirect job reporting. This was a highly complex and difficult endeavor that took somewhat longer than expected, and precluded its results being included in a timely report for 2010. However, the

Appendix. Agency Comments

Department completed its estimates of indirect jobs and total employment and has made them available to the OIG. These estimates do take into account wage increases, contrary to the statement included in the OIG report. Because our estimate of total employment is based on Council of Economic Advisers guidelines, which are based on structural macroeconomic models, the output does take wage increases into account as part of a structural macroeconomic analysis of employment creation. It was clear to us, based upon the statutory language and discussions with congressional staff, that the Congress intended for the Department to estimate direct and indirect jobs in this manner.

The Department is pleased that subsequent to extensive discussions, the OIG has recognized that Section 1201 reporting is not required for F&E expenditures using procurement contracts as opposed to grants. We are, however, disappointed that the OIG report took the time and effort to chide the FAA for not recognizing the opportunity to voluntarily report the 41 jobs that occurred during the course of a year. It was only last month when an OIG report on a separate issue took issue with the Department for “noncompliant” reporting because it provided information that did not meet an OMB threshold. Now, this report takes issue with FAA for compliance with reporting requirements and not providing data that is outside the reporting requirements and immaterial to overall DOT or FAA results.

FAA Fulfilled Expectations for Job Reporting Data Verification

As described in the above sections the FAA conducted data verification activities that were designed with input from data experts around the Department. Further, it performed extensive oversight to ensure that recipients appropriately report their data. Neither the statute nor the guidance offered by OMB envisioned FAA conducting the type of extensive data auditing that has been performed by the OIG with regard to some of the airport recipients, verifying specific hourly data employee by employee. FAA’s reporting was afforded neither the resources nor the time to conduct such detailed activities. Instead, FAA complied with OMB’s guidance, which calls upon Federal agencies to perform a limited data quality review of the information submitted by grant recipients and notify recipients if there are problems in the form of material omissions and significant reporting errors. The FAA developed a process, reviewed by the OIG, which validated data and identified statistical outliers. In the majority of cases in the sample evaluated by OIG, FAA’s validation process identified the potential errors.

Even at the level of detail that the OIG reviewed source documentation, we note that the differences identified are minimal and have no financial implications. Further, the difference does not substantially change the overall results of how many jobs were created or sustained. Based upon the OIG’s sample in Exhibits ‘D’ and ‘E’, net errors resulted in a 5% error in of hours reported and a 5% net error of FTEs reported. A difference of 5% in December 2009 is not significant for estimates in the early portion of this reporting effort when it was well recognized by many, including GAO, that OMB guidance needed to be revised.

Appendix. Agency Comments

RECOMMENDATIONS AND RESPONSES

Recommendation 1: Develop a process for new data that compares month to month cumulative job data reported by airport sponsors, and contact sponsors to resolve discrepancies when the current month shows fewer hours than the prior month.

FAA Response: Concur in part. As 100 percent of all Recovery Act grant projects at airports are physically complete and 99 percent of the available funding has already been expended, we anticipate few additional jobs to be reported by the recipients of the remaining open grants. As a result there is limited additional utility to be gained by such evaluation. To the extent that similar funds are provided in the future for economic recovery purposes, with requirements for estimating jobs, FAA will ensure that full and appropriate oversight mechanisms are implemented. However, in light of project completion, we ask that this recommendation be closed.

Recommendation 2: Review and resolve discrepancies between Section 1512 job data reported quarterly to the Recovery Board and job data reported monthly to FAA for the same 3-month period by contacting airport sponsors when discrepancies occur to determine if an error in reporting took place.

FAA Response: Concur in part. As described in response to recommendation 1, FAA's Recovery Act projects at airports are 100 percent complete and 99 percent of the available funding has been expended. We anticipate few additional jobs will be reported and FAA will have little if any data to review moving forward. To the extent that similar funds are provided in the future for economic recovery purposes, with requirements for estimating jobs, FAA will ensure that full and appropriate oversight mechanisms are implemented. However, in light of project completion, we ask that this recommendation be closed.

Recommendation 3: Issue an advisory notifying airport sponsors that they are to count jobs created or sustained based on valid invoices.

FAA Response: Concur. The FAA will reiterate guidance to the remaining recipients of open grants on the appropriate methodology for reporting jobs created or sustained. This will be issued no later than January 20, 2012.

Recommendation 4: Submit to the Department job data from ARRA-funded Facilities and Equipment projects for consideration in its Section 1201 reports to Congress.

FAA Response: Concur in Part. As recognized in the OIG report this information is not required for 1201 reporting. Nonetheless, the FAA currently collects job hours from each prime contractor participating on a Facilities and Equipment (F&E) Recovery Act project. FAA will provide this information to the Department for consideration regarding whether it should be included in future 1201 reports, despite the fact that it is outside the bounds of statutory expectations. The Department will make a determination as to whether this information should be included in the next 1201 report prior to issuance. That decision will be apparent in the report, and the Department will subsequently consider this recommendation closed.

Appendix. Agency Comments

Recommendation 5: OST should separately report indirect jobs in its upcoming ARRA Section 1201 Reports and address data limitations in its job reports to increase ARRA transparency and accountability.

Response: Concur. The Department will separately report indirect jobs in its upcoming Recovery Act Section 1201 Reports. We will also provide a discussion of data limitations in the report.