



Memorandum

Date: December 22, 2021

Subject: INFORMATION: Audit Announcement | FAA's Cost Allocation and Revenue Estimation Model | Project No. 22P3001P000
Federal Aviation Administration

From: Charles A. Ward
Assistant Inspector General for Audit Operations and Special Reviews

To: Federal Aviation Administrator

To enhance data transparency, section 519¹ of the FAA Reauthorization Act of 2018 requires the Federal Aviation Administration (FAA) to report to Congress on the costs allocable to and the total revenues received from users of air traffic services. In addition, the act requires our office to review and determine the validity of the model FAA uses to produce its report.

Accordingly, we are initiating an audit of FAA's Cost Allocation and Revenue Estimation Model (CAREM), which the Agency developed to produce its April 2021 report. Using CAREM, FAA allocated a total of \$11.6 billion in air traffic services costs expended in 2018 to specified segments² of users and estimated the revenue received from each group. Our audit objective will be to assess the validity of the model FAA employed to allocate air traffic services costs and estimate the revenues collected from each segment of users.

We plan to begin the audit immediately and will contact your audit liaison to schedule an entrance conference. We will conduct our work at FAA Headquarters in Washington, DC. If you have any questions, please contact me at (202) 366-1249 or Betty Krier, Chief Economist, at (202) 366-1422.

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

¹ Codified in Title 49, U.S. Code, section 45303(g)(1).

² Section 519 specified 15 air traffic user segments and authorized the Secretary of Transportation to identify more. The segments included, in part, two or more categories of passenger carriers, cargo carriers, general aviation, and air taxis.