
Office of Inspector General

Audit Report

**FAA IS NOT EFFECTIVELY MANAGING AIR
TRAFFIC CONTROLLER MID-TERM
BARGAINING AGREEMENTS**

Federal Aviation Administration

Report Number: AV-2014-059

Date Issued: June 19, 2014





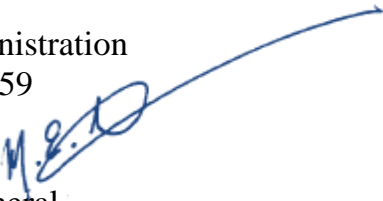
Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** FAA Is Not Effectively Managing
Air Traffic Controller Mid-Term Bargaining
Agreements
Federal Aviation Administration
Report No. AV-2014-059

Date: June 19, 2014

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

Reply to
Attn. of: JA-10

To: Federal Aviation Administrator

The Federal Aviation Administration's (FAA) management of its air traffic control (ATC) workforce—one of the Agency's largest cost drivers—depends on effective coordination and negotiation with the National Air Traffic Controllers Association (NATCA). In March 2012, FAA and NATCA agreed to extend their existing collective bargaining agreement (CBA) until July 2016. The agreement addressed various union employee concerns, such as work schedules and equitable pay, and extended the original 3-year CBA that became effective October 1, 2009.

Our prior work found that FAA had poor controls over effectively managing mid-term bargaining agreements with its air traffic controllers, resulting in significant unanticipated costs. For example, in 2003¹ we identified hundreds of Memoranda of Understanding (MOUs), negotiated primarily at individual facilities, that resulted in \$23 million in overtime costs, \$1.8 million in cash awards, \$30 million in additional salary incentives, and 65,000 hours in time off awards. We reported that unless effectively managed, these types of agreements could lead to future unexpected cost increases. In response to our report, FAA instituted a series of internal controls, including requiring that all MOUs be reviewed by senior Agency officials prior to agreement and include an estimate of their potential cost impact.

¹FAA's *Management of and Control Over Memorandums of Understanding* (OIG Report No. AV-2003-059), September 12, 2003. OIG reports are available on our Web site at <http://www.oig.dot.gov>.

In 2011,² we again reported that FAA continued to experience problems in overseeing its air traffic controller labor agreements and could not reliably estimate the costs of all provisions included in its 2009 CBA with NATCA. We identified numerous provisions that could escalate costs far beyond FAA's original estimates and made several recommendations for further improving FAA's controls over the CBA.

Based on our prior findings, we initiated this audit to review provisions of the 2012 CBA extension between FAA and NATCA and FAA's controls over the agreement. Specifically, our objectives were to (1) identify provisions of the 2012 CBA extension that put FAA at risk of unanticipated cost escalations and (2) assess the effectiveness of FAA's policies, procedures, and internal controls in preventing cost escalations associated with the 2012 CBA extension. Exhibit A provides details on our scope and methodology.

RESULTS IN BRIEF

FAA has incurred unanticipated costs and remains at risk of further cost increases primarily due to two provisions in the 2012 CBA extension: (1) mid-term bargaining³ and (2) the rules for setting pay.⁴ Although both provisions serve legitimate purposes, they can leave the Agency vulnerable to unanticipated costs if not effectively managed. First, even though FAA assumed that mid-term bargaining would not increase costs, we identified several costly mid-term bargaining agreements negotiated between FAA and NATCA. For example, FAA negotiated an MOU increasing pay at three air traffic control towers located within the New York metropolitan area based on an increase in air traffic at LaGuardia airport. This agreement resulted in \$1.3 million in back pay and \$16 million in additional pay over 10 years not only for controllers at LaGuardia, but also for controllers at John F. Kennedy and Newark air traffic towers. However, LaGuardia was the only control tower of the three that had the increased traffic volume and complexity to justify the pay increase. Second, the CBA's rules for setting pay put the Agency at risk of cost increases because they depend on complex calculations with some degree of subjectivity that must be performed at each of FAA's 316 facilities (which increases the risk of miscalculations). These rules also pose risks because controller pay is a significant portion of FAA's Operations budget.⁵ As a result, any unanticipated cost increases from these

² *FAA Needs To Strengthen Controls Over the 2009 FAA/NATCA Collective Bargaining Agreement* (OIG Report No. AV-2011-120), June 9, 2011.

³ Article 7, NATCA CBA Extension. FAA's agreement with NATCA states that personnel policies not explicitly contained in the CBA shall not be changed without prior negotiation (i.e., mid-term bargaining) with NATCA.

⁴ Article 108, NATCA CBA Extension, 2012.

⁵ FAA's Operations budget consists of approximately 59 percent of FAA's total budget. Operations funds most of the Agency's day-to-day activities, including safety oversight and air traffic control functions. Salaries and benefits for controllers, safety inspectors, and other FAA personnel make up 71 percent of FAA's Operations costs.

provisions could crowd out funding for other critical items in FAA's Operations budget, such as maintaining air traffic facilities and conducting safety inspections.

FAA's internal controls have not effectively controlled cost increases from the 2009 CBA or its 2012 CBA extension, partially because FAA Headquarters has not followed its own established policies. FAA's internal control policies require each negotiated agreement to have a budget analysis and legal review and be included in the Labor Employee Relations System (LERIS).⁶ Yet, of the 40 national negotiations between FAA Headquarters and NATCA since 2009, none were entered into LERIS, and only 1 received a budget analysis before FAA and NATCA reached agreement. This occurred partly because the Agency lacks a mechanism for holding managers accountable for adhering to these requirements. In addition, some local facility agreements did not receive required legal reviews, and their required budget analyses were often inadequate due to a lack of expertise in budget analysis and labor negotiations among facility managers. For example, the CBA extension requires each FAA facility manager to negotiate certain local agreements each year. However, we found that facility managers often renewed the previous year's agreements without conducting analyses to determine whether any changes in local facility factors (such as traffic volume or airline schedules) would also impact controller workload and pay requirements for the new year. Ultimately, because FAA has not followed its established internal controls, the total number of mid-term agreements and their true cost impact remains unknown.

We are making a series of recommendations to increase FAA's management and oversight of the provisions of the 2012 CBA extension.

BACKGROUND

NATCA is the labor union representing FAA's air traffic controllers and is authorized by law to engage in collective bargaining on behalf of that workforce with FAA. The FAA Reauthorization Act of 1996 expanded the scope of these negotiations by requiring that FAA negotiate issues that were previously not negotiable at Federal agencies, including staffing, compensation, and benefits. In 1998, FAA and NATCA entered into the first 5-year national CBA that addressed issues including pay and benefits for controllers. However, the cost of this agreement far exceeded FAA's initial \$200 million estimate, eventually costing over \$1 billion for the 5-year term. The agreement also allowed FAA managers and NATCA representatives to enter into written agreements or MOUs that were not expressly addressed by the national CBA through a mid-term bargaining process.

⁶ The LERIS database contains a record of negotiations between FAA and its labor unions. The LERIS records contain data on the subject, costs, outcomes, and personnel involved in all labor negotiations.

The 1998 CBA was extended past its 2003 expiration date while FAA and NATCA attempted to negotiate a new labor agreement. However, after negotiations failed in 2006, FAA submitted its last offer to Congress, as required by law. When Congress did not take action within the 60-day period, FAA imposed its last offer. These work rules, referred to as the 2006 work rules, lowered the pay bands that set new controller pay and significantly lowered pay for controllers hired after 2006.

On September 23, 2009, FAA and NATCA agreed to a new CBA that was to remain in effect until September 2012. FAA estimated that the 2009 CBA would cost \$669 million over and above what it would have cost had the 2006 work rules been extended for 3 more years. On October 1, 2012, FAA and NATCA agreed to extend the 2009 CBA through July 1, 2016.

FAA RISKS UNANTICIPATED COSTS DUE TO MID-TERM BARGAINING AND PAY-SETTING PROVISIONS IN THE CBA

FAA continues to risk unanticipated costs due to the CBA's provisions for mid-term bargaining agreements and the rules for setting pay. While both provisions serve legitimate purposes, we found that some nationally negotiated agreements resulting from these provisions have resulted in unanticipated cost increases. Ultimately, unanticipated costs from these provisions increase the risk of controller pay and benefits growing faster than FAA's Operations budget, which could crowd out other critical Agency requirements.

Mid-Term Bargaining and Complex Rules for Setting Pay Put FAA at Risk for Cost Escalations

We determined that the CBA's provisions related to mid-term bargaining and pay can leave FAA at risk for cost increases. Although both provisions are components of the CBA, they can leave the Agency vulnerable to unanticipated costs if not effectively managed. Specifically:

- **Mid-Term Bargaining (Article 7)**—The 2012 CBA extension states that personnel policies, practices, and matters affecting working conditions not specifically mentioned in the national CBA shall not be changed by FAA without prior notice to, and negotiation with, NATCA in accordance with applicable law. Therefore, before FAA can make any changes to the terms and policies of the CBA, the changes must be negotiated. For example, developing procedures for staffing special air traffic events and changing the office space used for union activities are subject to mid-term bargaining.

In the cost analysis for the 2009 CBA, FAA assumed that mid-term bargaining would be carefully managed and would not increase costs. However, we found that the mid-term bargaining provision allows facility managers to reach

expensive agreements with NATCA prior to consulting labor relations or conducting a budget analysis. These negotiations may result in increases in pay and other labor costs that may not be cost effective, especially if managers do not follow internal controls such as conducting a budget analysis prior to agreement.

- **Pay (Article 108)**—The CBA states that bargaining unit employees will have their pay determined by the ATC classification of the facility in which they are assigned. ATC facility levels have been established using a formula based on traffic complexity and volume for each air traffic facility.⁷ This formula accounts for the volume and type of air traffic, the variety of air traffic services provided, the type of military and civilian airports nearby, and other characteristics of air traffic at a specific facility.

The Pay provision creates the risk for unexpected cost increases in part because it is complex, which increases the risk of miscalculations. Specifically, the policy describing how to compute the ATC facility level is 42 pages long and must be calculated separately for each of FAA's 316 air traffic facilities as it relies on extensive data that varies by location. In addition, the process of changing pay—which is specified in an MOU—contains weaknesses. Controllers and managers at the facility must collect data on traffic volume and compute traffic count metrics, and then a national validation team reviews and validates the data. However, this validation team consists of both NATCA members and FAA officials who do not work at the facility. While working in conjunction with the union provides for improved labor/management relations, there are certain inherent risks. For instance, using NATCA members as part of a validation team for air traffic controller pay adjustments may contribute to cost risks because it requires bargaining unit employees to make decisions that impact the pay of other employees in the bargaining unit.

Some Nationally Negotiated Agreements Are Not Cost Effective

Mid-term bargaining agreements can serve legitimate purposes, such as scheduling local operations and implementing local changes in working conditions. However, these agreements can also contain substantial cost and/or operational implications for the Agency. We identified 40 nationally negotiated MOUs between FAA and NATCA, all of which apply to the 2012 CBA extension. Some of these MOUs resulted in significant and previously unanticipated costs for the Agency. For example:

- **Metropolitan Tower Complex MOU**—This MOU revised the formula for setting the ATC level for tower facilities located within a major metropolitan

⁷ The formula for setting ATC facility levels contains a sustained traffic index, a traffic count index, and several adjustments based on specific facility characteristics.

area. Because ATC levels determine controller salary at a given facility, any revision to a facility's ATC level can significantly increase FAA's labor costs. Under the revised formula, each tower's ATC level is first calculated independently. Then, the highest ATC rating given to one tower is given to all nearby towers within 1 ATC level of each other—even though they may not technically have the traffic volume or complexity to support the new ATC rating. Through this MOU, FAA awarded \$1.3 million in back pay (retroactive to May 12, 2011) to controllers at three facilities in the New York Area—the control towers at LaGuardia, John F. Kennedy, and Newark, even though only LaGuardia qualified for the raise. Furthermore, this change is projected to cost an additional \$16 million in controller salaries over 10 years. FAA did not anticipate these added costs or conduct a required budget analysis prior to the agreement with NATCA.

- **Facility Level Adjustment MOU**—This MOU governs the procedures for changing facility levels and corresponding pay. When a facility receives an ATC level upgrade, back pay is issued to all controllers retroactive to the date the facility first had the traffic and complexity to justify the upgrade. However, when a facility receives an ATC level downgrade, controllers receive no corresponding reduction in pay. FAA did not complete a budget analysis of this MOU, and the true cost implications are still unknown.

In assessing the potential costs of the 2009 CBA, FAA assumed that no costs would be associated with mid-term bargaining agreements because these negotiations would be carefully managed. However, this assumption has proven invalid, resulting in all costs associated with mid-term bargaining agreements being unanticipated by FAA. Furthermore, the Agency will remain at risk of continued unanticipated cost increases associated with these agreements throughout the remainder of the 2012 CBA extension.

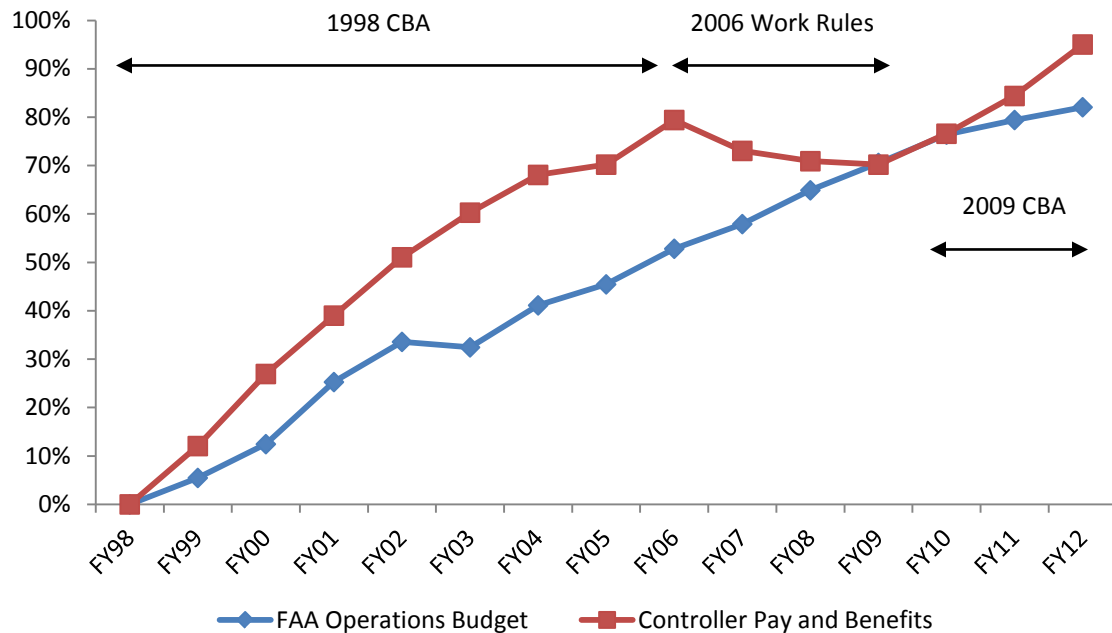
Unanticipated Mid-Term Bargaining Costs Increase Risks for FAA's Operations Budget

Given the large impact of controller pay and benefits on the Agency's multibillion-dollar annual Operations budget, any unanticipated increase in pay and benefits resulting from the 2012 CBA provisions can impact FAA's Operations budget as a whole. This is of particular concern given the current trend of controller pay and benefits increasing faster than the amount allotted for them in FAA's budget.

For example, in fiscal year 2012, FAA spent \$2.75 billion on salaries and benefits for controllers, or over 28 percent of its Operations budget. FAA's Operations budget has increased by 82 percent since fiscal year 1998, while pay and benefits for controllers have increased 95 percent during the same period (see figure 1

below). As a result, if controller pay and benefits grow faster than FAA's Operations budget, FAA risks controller pay and benefits crowding out funding for other critical Agency requirements, such as maintaining air traffic facilities and conducting safety inspections. While FAA's 2012 CBA extension is only one factor in the Agency's rising controller workforce costs, effective use of internal controls, such as budget analysis and legal reviews, could help FAA avoid unnecessary and unanticipated expenses related to controller pay and benefits.

Figure 1. Growth of Controller Pay and Benefits vs. Growth of FAA Operations Budget



Source: OIG analysis based on FAA data.

FAA HAS NOT FOLLOWED ITS ESTABLISHED PROCEDURES FOR MANAGING NEGOTIATIONS WITH NATCA

FAA's internal controls for managing negotiations with NATCA are ineffective because the Agency has not strictly followed its established procedures, especially conducting the required budget analysis and legal reviews on all MOUs prior to the agreement. In addition, the budget analysis conducted by the facility managers for local agreements may not capture the actual expense of the agreement.

FAA Has Not Adhered to Internal Controls Governing Nationally Negotiated MOUs

In response to our 2003 audit, FAA made significant changes to the Agency's process for negotiating MOUs reached through mid-term bargaining. FAA issued Order 3710.18, which instituted a series of required internal control procedures.

These procedures included requiring legal reviews by Agency officials, conducting a budgetary analysis of MOUs prior to signature, and including all agreements in the LERIS database that tracks all FAA negotiations with labor unions. However, for all of the 40 national MOUs we reviewed, FAA did not follow the internal control procedures required by the Order. Specifically:

- **FAA officials did not conduct required budget analyses.** FAA requirements state that the Office of the Chief Financial Officer or a delegate is responsible for conducting budget analyses for every proposed agreement. Budget analyses are one of FAA's primary means of determining the financial impacts of mid-term bargaining agreements, as they assess the cost and affordability of an agreement relative to anticipated funding levels. As such, they are a critical component of FAA's efforts to monitor and control costs associated with mid-term agreements. However, we found that 39 of the 40 national MOUs contained no budget analysis prior to agreement. Some of these agreements are potentially costly, but without a budget analysis, it is not possible to determine what their cost impacts are on FAA. We found no examples of disciplinary action taken against any management official for not following this requirement.
- **FAA did not document all mid-term agreements as required.** According to FAA requirements, copies of all current and future national, regional, and local agreements must be sent to the Director of Labor and Employee Relations for inclusion into the LERIS database. FAA's LERIS database helps track the cost implications and other factors related to its negotiations with labor unions. However, we found that none of the 40 national MOUs we reviewed had been entered into the LERIS database. As a result, FAA lacks a complete central record of the number and total cost implications of its negotiated agreements with NATCA since the 2012 CBA extension.
- **Local facilities did not always coordinate with required labor and legal officials.** FAA's requirements state that managers are responsible for ensuring that labor agreements meet all legal requirements. In addition, FAA requires that all notices to/from unions concerning collective bargaining matters must be coordinated with an Assistant Administrator for Human Resources (AHR) Labor Management Relations (LMR) representative prior to beginning negotiations. However, our interviews with facility managers found that many facility managers reached agreements with NATCA without consulting either of these organizations. According to FAA officials, this was due in part to confusion about FAA's internal control responsibilities at the local level. For example, the FAA Labor and Employee Relations Office and the FAA Labor Technical Liaison (which is part of the Air Traffic Organization) both have roles in the legal review process for agreements that are negotiated at the

facility level. However, the lines of authority between these two offices were unclear, and their responsibilities often overlapped. As a result, some of the air traffic managers we met with were not sure which office had the authority to perform the required legal reviews.

These lapses occurred in part because FAA lacks a mechanism for holding managers accountable for adhering to its internal control requirements. Notably, we did not find any examples of disciplinary action against managers responsible for ignoring these internal controls, even though failing to comply with these controls can often result in unanticipated additional costs for the Agency. Ultimately, because FAA has not followed its established internal controls, the total number of mid-term agreements and their true cost impacts remain unknown.

Budget Analyses Conducted by the Facility Managers for Local MOUs May Not Capture the Expense of the Agreement

Although FAA requires that air traffic facility managers conduct budget analyses for local agreements, we found that these managers' analyses did not always capture the full cost of an agreement. For example, the CBA extension requires each FAA facility manager to negotiate local agreements governing the basic watch schedule, selection procedures for overtime opportunities, controller-in-charge selection procedures, and prime time leave. Some local factors can significantly change each year at a facility, such as traffic, airline schedules, and others, which could impact controller workloads and pay. However, we found that FAA managers generally re-use their local agreements each year with little analysis, aside from the experience of the facility manager. This limits FAA's opportunities to identify potential improvements in staffing efficiency and reduce overtime costs.

Moreover, FAA lacks a standard method for conducting comprehensive cost analysis for negotiated agreements at the local facility level. Instead, air traffic managers rely on their experience and knowledge of the facility operation to prepare a budget analysis for these mandatory agreements, and the approach to conducting this analysis varied considerably between facilities. The most common approach to the analysis was to renew prior agreements and indicate that there were no additional costs because the agreement had not changed from prior years.

Additionally, there is a lack of training and other support to assist facility managers while negotiating with the local NATCA representatives. The CBA extension allows air traffic facility managers the discretion to bargain with NATCA over subjects not specifically required by the CBA extension. However, if facility managers are not effectively trained on FAA's internal controls, they may be unable to ensure that their use of these controls is as effective as possible. For example, we identified significant issues with the budget analysis and other

procedures conducted for one local facility-level agreement at the Washington Air Route Traffic Control Center. For this agreement, the facility's air traffic manager negotiated a MOU providing 40-hour time off awards to about 440 employees for completing a required airspace redesign. The budget analysis conducted by the facility manager indicated that the MOU would be cost effective. However, during the period covered by this MOU, FAA incurred almost \$2 million in additional salaries and benefits and over \$5 million dollars in extra overtime—even though the time controllers spent controlling traffic and performing other duties did not change significantly. Therefore, even though this MOU had a required budget analysis, the analysis did not capture the cost implications or effectively justify the additional expense from the MOU. This suggests that air traffic facility managers are not adequately familiar with negotiation skills and legal responsibilities to evaluate complex labor agreements for cost implications.

CONCLUSION

While FAA's air traffic controllers provide an essential service to the Nation, controller salaries and benefits are one of the Agency's largest cost drivers. Mid-term bargaining over pay and other items is a necessary aspect of FAA's collective bargaining agreements with NATCA and its management of its air traffic control workforce. Without careful management and oversight of its policies and controls, FAA will continue to incur unwarranted or unplanned costs and will not know the true extent and costs of its bargaining agreements.

RECOMMENDATIONS

To increase its oversight of the CBA extension and reduce unanticipated costs, we recommend that FAA:

1. Develop a process that ensures all national, regional, and local managers are held accountable when the requirements of FAA Order 3710.18 are not strictly followed.
2. Revise standard operating procedures to strictly enforce the involvement of Labor Relations Office (AHR-LMR) representatives during all mid-term bargaining prior to committing the Agency.
3. Clarify the roles and responsibilities of the Labor Relations Office (AHR-LMR) and the Labor Technical Liaison.
4. Provide refresher training to air traffic managers that interact with NATCA on labor relations management, including legal responsibilities and negotiation skills.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided FAA with our draft report on April 16, 2014, and received its formal response on June 3, 2014, which is included in its entirety as an appendix. In its response, FAA fully concurred with all four recommendations and provided reasonable timeframes for completing the appropriate action plans. Based on FAA's response, we consider all four recommendations resolved but open pending completion of the planned actions.

We appreciate the courtesies and cooperation of FAA representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-0500 or Bob Romich, Program Director, at (202) 366-6478.

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

EXHIBIT A. SCOPE AND METHODOLOGY

We conducted this audit from April 2013 to April 2014 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 audit evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our site visits included the Federal Aviation Administration (FAA) Headquarters, the Eastern Regional Office, the Western Pacific Regional Office, and 9 air traffic facilities. (For a full list of the organizations we visited or contacted, see exhibit B.)

To determine which provisions in the 2009 CBA and its 2012 extension put FAA at risk for cost increases, we reviewed prior OIG reports and interviewed FAA officials from the Office of Labor Relations, the Office of Labor Analysis and the Air Traffic Office Labor Liaison. Based on these interviews and the study of prior FAA cost escalations, we determined which provisions of the 2012 CBA Extension were most likely to increase costs.

To determine the number of MOUs implemented and their costs, we requested copies of all the national agreements signed since fiscal year 2009 and analyzed the legal, operational, and cost implications for the 40 we were given. Then we checked to determine whether these agreements were maintained in LERIS, had a budget analysis by the Office of the Chief Financial Officer or designee, and the correct Labor Relations officials had reviewed the agreement prior to signature.

We randomly selected four of FAA's nine regional offices and reviewed records of negotiations with NATCA. We visited two of the four regional offices based on geography and interviewed labor relations staff and managers. Then, we reviewed records of negotiations with NATCA for the air traffic facilities serviced by the regional offices. Then we visited local air traffic facilities serviced by the Regional offices and interviewed facility managers, staff managers and NATCA representatives. Finally, we collected copies of the labor agreements we were given at each facility and compared the agreements with those collected at the Regional Offices. Ultimately, we were unable to establish a universe for FAA negotiations with NATCA because of undocumented verbal agreements and ineffective internal controls.

EXHIBIT B. ORGANIZATIONS VISITED OR CONTACTED

Washington Air Route Traffic Control Center (ZDC)

Southern California Terminal Radar Approach Control (SCT)

LaGuardia Air Traffic Control Tower (LGA)

John F. Kennedy Air Traffic Control Tower (JFK)

New York Terminal Radar Approach Control (N90)

New York Air Route Traffic Control Center (ZNY)

Los Angeles Air Route Traffic Control Center (ZLA)

Los Angeles Air Traffic Control Tower (LAX)

San Diego Air Traffic Control Tower (SAN)

FAA Eastern Regional Office

FAA Western Pacific Regional Office

EXHIBIT C. MAJOR CONTRIBUTORS TO THIS REPORT


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Federal Aviation Administration

Memorandum

Date: June 3, 2014

To: Matthew E. Hampton, Assistant Inspector General for Aviation 

From: H. Clayton Foushee, Director, Office of Audit and Evaluation, AAE-1

Subject: Federal Aviation Administration's (FAA) Response to Office of Inspector General (OIG) Draft Report: Air Traffic Controller Mid-Term Bargaining Agreements

During the 2009 contract negotiations with the National Air Traffic Controllers Association (NATCA), the FAA conducted detailed and comprehensive analyses to estimate the financial impact of the new collective bargaining agreement. These analyses were updated in 2012 to reflect the terms of the contract extension through mid-2016. Over the past four fiscal years (2009-2013), FAA's annual forecasts for the personnel compensation and benefits costs under this contract have proven to be consistently accurate 99 percent or more.

Controller pay and benefits have increased at a higher rate than the FAA operations budget since 1998. The vast majority of growth in air traffic controller labor costs over the past decade can be directly attributed to: 1) increased staffing (due primarily to increased advanced hiring in FY06-FY09 to address the expected post-strike retirement wave); and, 2) contractually obligated pay and pay band adjustments per the 1998 and 2009 Collective Bargaining Agreements between FAA and NATCA; 1998 'Green Book' contract and the 2009 'Red Book' contract.

While FAA does not believe that unmonitored memoranda of understanding (MOUs) have been a primary driver of increased controller payroll, we do acknowledge that considerable work remains to improve internal coordination, consistency, and documentation associated with Air Traffic Mid-Term Bargaining Agreements.

RECOMMENDATIONS AND RESPONSES

OIG Recommendation 1: Develop a process that ensures all national, regional, and local managers are held accountable when the requirements of FAA Order 3710.18 are not strictly followed.

FAA Response: Concur. The FAA recently implemented a standard operating procedure (SOP) with business rules for the entry of all MOUs into the Labor Employee Relations System. This will allow for greater oversight of all negotiated agreements. Additionally, FAA has begun conducting internal audits to determine whether or not internal coordination processes were

adhered to and budget analyses conducted prior to entering into mid-term agreements. The internal audits are in a preliminary stage but have already identified areas the FAA can improve tracking and reporting of mid-term agreements and completion of budget analyses. By September 30, 2014, the FAA will formalize the internal audit process to include a recurring frequency and reporting of results to the appropriate manager for remedial corrective action and the FAA will provide an update to the OIG by December 31, 2014.

OIG Recommendation 2: Revise standard operating procedures to strictly enforce the involvement of Labor Relations Office (AHR-LMR) representatives during all mid-term bargaining prior to committing the Agency.

FAA Response: Concur. The associated SOPs will be reviewed and updated as necessary to bring clarity to the requirement to involve the Labor Relations Office prior to entering into negotiations and mid-term agreements, verbally or in writing. All managers will be briefed on the requirements of FAA Order 3710.18, the associated SOPs, and expectations of its adherence. The briefings will commence immediately following completion of any necessary updates to the SOPs. It is anticipated that the updates and briefing to the SOPs will be completed by September 30, 2014.

OIG Recommendation 3: Clarify the roles and responsibilities of the Labor Relations Office (AHR-LMR) and the Labor Technical Liaison.

FAA Response: Concur. The FAA will clarify roles and educate facility managers and Labor and Employee Relations Specialists on the distinct responsibilities of the Labor Relations Staff and the Air Traffic Organization (ATO) Labor and Employee Development staff as defined in the Service Level Agreement between the Office of Human Resource Management and ATO, dated February 19, 2008. Clarity on the distinct roles will be included in the aforementioned briefing sessions, stated above in recommendation 2, regarding the internal coordination requirements of FAA Order 3710.18.

OIG Recommendation 4: Provide refresher training to air traffic managers that interact with NATCA on labor relations management, including legal responsibilities and negotiation skills.

FAA Response: Concur. The FAA is evaluating existing training and methods available to effectively provide negotiations training to facility managers that will include guidance for conducting mid-term bargaining, procedures for ensuring legal compliance, and identification of officials to engage prior to entering into negotiated agreements. Also, the FAA is currently developing tools to assist managers in effectively completing budget analyses for consideration before entering into agreements. The FAA will seek to develop an on-line eLearning Management System course on FAA Order 3710.18 to train new managers. The FAA will provide an update to OIG by December 31, 2014.