




# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **INFORMATION:** Audit Announcement -  
Review of FAA's Oversight of Revenue Use at  
"Grandfathered" Airports  
Federal Aviation Administration  
Project No. 16A3002A000

Date: June 15, 2016

From: Charles A. Ward   
Assistant Inspector General  
for Aviation Audits

Reply to  
Attn. of: JA-10

To: Director, Audit and Evaluation

The Federal Aviation Administration (FAA) awards airport sponsors<sup>1</sup> about \$3 billion annually in Airport Improvement Program (AIP) grant funds. FAA is responsible for overseeing these sponsors' compliance with AIP grant assurances. One important assurance states that all revenue generated by the airports must be used solely for the airports' capital and operating costs. However, certain "grandfathered" airports may expend limited amounts of revenue for non-airport purposes under preexisting financial arrangements.<sup>2</sup> Between 2005 and 2010, according to FAA, grandfathered airports expended over \$2 billion for non-airport purposes.

With limited Federal funding available for airport improvement projects, strong oversight of airport revenue use is critical. Therefore, we are initiating this audit to assess FAA's oversight of grandfathered airports' compliance with Federal law related to airport revenue payments.

We plan to begin our audit in the next few weeks and will contact your audit liaison to schedule an entrance conference. If you have any questions, please contact me at (202) 366-1249, or Stephen Jones, Project Manager, at (415) 522-4905.

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<sup>1</sup> An airport sponsor is a public agency or airport authority that owns and operates the airport.

<sup>2</sup> Twelve airport sponsors operate grandfathered airports nationwide. In the Airport and Airway Improvement Act (AAIA) of 1982, Congress deemed these airports grandfathered if, prior to the enactment of AAIA, certain financial arrangements existed between the airport and airport sponsor.

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