



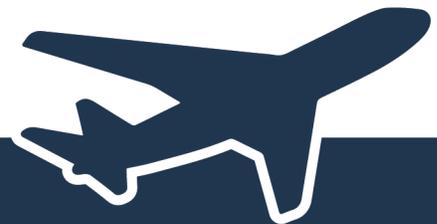
U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

**Gaps in FAA's Oversight of the AIP
State Block Grant Program Contribute to
Adherence Issues and Increase Risks**

FAA

Report No. AV2021017

February 10, 2021





Gaps in FAA's Oversight of the AIP State Block Grant Program Contribute to Adherence Issues and Increase Risks

Self-initiated

Federal Aviation Administration | AV2021017 | February 10, 2021

What We Looked At

The Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) provides grants to public and private entities to enhance safety and security, maintain infrastructure, increase capacity, and mitigate airport noise. According to FAA, between 2019 and 2023, U.S. airports will need approximately \$35.1 billion for these types of projects. Under the State Block Grant Program (SBGP), FAA provides AIP funds directly to Block Grant States (BGS), which then take on certain responsibilities for administering the AIP. Given the need to ensure that Federal funds are spent appropriately, as well as Congress' recent expansion of the SBGP, we initiated this audit with the following objectives: to assess FAA's oversight of (1) State project selection and (2) grantee and subgrantee compliance with Federal laws and regulations on the use of funds.

What We Found

FAA performs few oversight activities during the project selection process. For example, while entitlement funds represent the majority of SBGP awards, FAA policy directs Agency officials to focus on projects seeking discretionary funds. We estimate that, as a result, FAA did not evaluate projects awarded \$87.9 million in Federal funds. FAA did not provide BGS with consolidated guidance for almost 3 decades; consequently, BGS still do not fully understand their responsibilities. FAA also has never performed an assessment to ensure compliance with Federal requirements or required BGS to document their decisions. Thus, FAA may be funding airport projects that do not meet national priorities. Furthermore, FAA's oversight does not prevent compliance gaps or resolve persistent programmatic issues. Finally, the Agency's own reviews of the program have been inconsistent and do not assign responsibility for corrective actions or track grantee compliance. As a result, staff are unsure where to direct their oversight.

Our Recommendations

We made 13 recommendations to improve FAA's oversight of SBGP project selection and grantee compliance with Federal financial laws and regulations. The Agency concurred with 11 of our recommendations and partially concurred with 2, proposing alternative actions. We consider all 13 recommendations to be resolved but open pending completion of planned actions.

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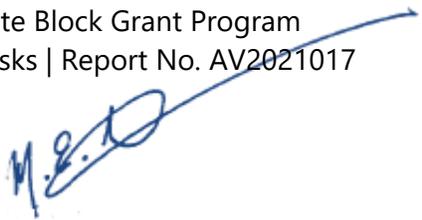
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Memorandum

Date: February 10, 2021

Subject: ACTION: Gaps in FAA's Oversight of the AIP State Block Grant Program
Contribute to Adherence Issues and Increase Risks | Report No. AV2021017

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

To: Federal Aviation Administrator

The Federal Aviation Administration's (FAA) Airport Improvement Program (AIP)¹ provides grants to public agencies²—and, in some cases, to private owners and entities—to enhance safety and security, maintain infrastructure, increase capacity, and mitigate airport noise in surrounding communities. FAA has reported that between 2019 and 2023, airports in the United States will need approximately \$35.1 billion for these types of projects.³ In fiscal year 2019, for example, FAA awarded \$3.32 billion in AIP funding. Because of extensive demand, FAA has always emphasized awarding AIP funds to projects consistent with present national priorities and objectives identified through the development of its annual Airports Capital Improvement Plan (ACIP), which includes input from States.

In 1987, Congress authorized a pilot State Block Grant Program (SBGP) to provide AIP funds to certain State aeronautical agencies, and SBGP has continued to expand since that time.⁴ Under this program, FAA provides funds directly to participating States—known as Block Grant States (BGS)—that then agree to assume certain responsibilities related to the administration of the AIP that are otherwise performed by FAA (including project prioritization and selection), and to provide grants to smaller airports.⁵ To participate, States must meet certain

¹ The AIP supports the Nation's airport system primarily by providing funds for public-use airports that are included in the National Plan of Integrated Airport Systems (NPIAS).

² AIP grantees are typically States, counties, cities, and airport authorities, and in some cases, private owners and entities.

³ FAA developed its estimate before the onset of COVID-19 and thus did not account for the pandemic's impact on the aviation industry.

⁴ The Airport and Airway Safety and Capacity Expansion Act of 1987, Pub. L. No. 100-223 (1987).

⁵ "Small airports" include general aviation, reliever, and non-primary commercial service airports.

requirements outlined in the Federal regulation that authorizes the program.⁶ According to the Government Accountability Office (GAO), benefits to the States included a streamlined project approval process, reduced paperwork requirements, and less duplication from overlapping State and Federal activities. In addition, the SBGP allowed FAA to shift its resources to other high-priority tasks and thus partially offset any reductions in its staff.⁷

Because of the critical need to ensure that Federal AIP funds are spent appropriately and the Congress-authorized expansion of the program, our objectives for this self-initiated audit were to assess FAA's oversight of (1) State project selection and (2) grantee and subgrantee compliance with Federal laws and regulations on the use of funds.

We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology; Exhibit B lists the entities we visited or contacted; and exhibit C is a list of acronyms. Exhibit D presents our financial findings, and exhibit E lists the status of the recommendations from a 2013 review of the SBGP.

We appreciate the courtesies and cooperation of Department of Transportation (DOT) representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1987 or Nelda Z. Smith, Program Director, at (202) 366-2140.

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

⁶ Title 49, U.S. Code (U.S.C.) § 47128(b), *State Block Grant Program*, outlines the application process and requirements.

⁷ Government Accountability Office (GAO) congressional testimony, *State Block Grant Pilot Program Is a Success* (GAO/T-RCED-96-86), March 14, 1996.

Results in Brief

FAA's oversight of State Block Grant project selection is insufficient.

During our audit, we determined that FAA performs few oversight activities during the project rating, prioritization, and selection process—beyond routine reviews of BGS capital improvement plans. We confirmed with officials at four Airport District Offices (ADO) that they don't spend much time reviewing projects that receive entitlement funds, which represent the majority of SBGP awards. While FAA policy requires Agency officials to identify and provide initial consideration of all projects seeking SBGP funding, it also directs them to focus on projects that seek discretionary funds. Thus, FAA conducts limited oversight on AIP projects that receive entitlement funds. Based on our review, we estimate that FAA did not evaluate projects that were awarded a combined value of \$87.9 million in Federal funds or 9.8 percent of the \$901 million in our universe.⁸ Moreover, FAA did not provide BGS with consolidated guidance on selecting proposed projects until 2016—27 years after the launch of the program. Consequently, BGS still do not fully understand or implement their responsibilities and have developed their own methods for approving projects. Furthermore, FAA has never performed an assessment to ensure the SBGP project selection process complies with Federal laws and regulations or required BGS to document their project-approval decisions. As a result of its limited oversight of the SBGP, FAA may be funding airport projects that do not meet national priorities.

FAA's oversight does not prevent compliance gaps or resolve persistent programmatic issues.

The Agency's SBGP-focused monitoring activities do not help BGS to reasonably ensure adherence to Federal laws and regulations regarding improper payments,⁹ periods of performance, and grant documentation. For example, FAA is required to ensure that Federal funding is expended in full accordance with legal and policy requirements. However, Agency officials were unaware that at least three BGS had misused funds, made false claims, and provided insufficient support for

⁸ Our \$87.9 million estimate has a precision of -\$83 million or -9.2 percent at the 100-percent confidence level and +\$104.9 million or 11.6 percent at the 90-percent confidence level so that our confidence limits ranged from \$4.9 million to \$192.9 million or 0.5 to 21.4 percent of the \$901 million in our universe.

⁹ An improper payment is one that should not have been made at all or that was issued with an incorrect amount, based on statutory, contractual, administrative, or other legally applicable requirements. Office of Management and Budget (OMB), Circular A-123, appendix C: *Requirements for Payment Integrity Improvement* (June 26, 2018).

their expenditures before FAA issued \$5.8 million in reimbursements to those States. In large part, this occurred because FAA does not have a way to track how BGS expend their SBGP funds. The Agency also does not enforce timely submission of required grant documentation by BGS or ensure that grant closeout files are complete and program data accurate. While FAA officials stated this issue is not widespread, we found that a lack of guidance has led to different interpretations of FAA's grant closeout policy among Agency staff. Inadequate SBGP-related training was another factor contributing to BGS officials' inability to adhere to Agency policy. Furthermore, our review found that the Agency has not fully addressed more than half of the recommendations from an internal program review performed in 2013, and persistent issues remain. For example, FAA has not completed the work to standardize its SBGP-related memoranda of agreement (MOA), as recommended. Meanwhile, many BGS are operating under MOAs that are more than a decade old. In addition, although FAA has conducted regionally focused SBGP reviews, they are inconsistent and do not assign responsibility for corrective actions across Regional Offices and ADOs. Finally, the Agency's process for assuring issues identified in BGS Single Audits—a tool used to assess grantee compliance with requirements of Federal awards—are referred to ADOs and Regional Offices for awareness and tracking has been ineffective. As a result, staff in these offices are unsure where to direct their oversight.

We are making recommendations to improve FAA's oversight of SBGP project selection and grantee compliance with Federal financial laws and regulations.

Background

FAA launched the SBGP in 1989 with grants to three States—Illinois, Missouri, and North Carolina. The pilot program was scheduled to sunset in 1991, but Congress expanded it to seven States in 1992 and then made it permanent in 1996.¹⁰ Currently, there are 10 participants (see figure on page 6);¹¹ although Congress recently authorized the participation of up to 20 States in the FAA Reauthorization Act of 2018, no additional States have applied.¹²

FAA views the SBGP's purpose as encouraging the States and working with them to identify innovative approaches and provide maximum flexibility for carrying out the program effectively and efficiently. The States see the program as a

¹⁰ Federal Aviation Reauthorization Act of 1996, Pub. L. No. 104-264 (1996).

¹¹ The 10 States currently participating in the SBGP are Georgia, Illinois, Michigan, Missouri, New Hampshire, North Carolina, Pennsylvania, Tennessee, Texas, and Wisconsin.

¹² Pub. L. No. 115-254 (2018).

vehicle for putting funding decisions into the hands of those with firsthand knowledge of the projects competing for funds.

The program is part of the larger AIP, which provides Federal grants for airport development, planning, and noise mitigation.¹³ FAA's AIP Handbook¹⁴ and SBGP Advisory Circular¹⁵ set forth the Agency's policy for both the AIP and the SBGP.¹⁶ To assist States, FAA has established SBGP-specific guidance for its Regional Offices and ADOs, as well as State aeronautical agencies, non-primary airports, and other entities.¹⁷ FAA supplements this guidance with the ACIP and the National Plan of Integrated Airport Systems (NPIAS),¹⁸ two Federal financial tools that play an essential role in airport planning. Specifically, the Agency uses the ACIP and NPIAS to systematically identify, prioritize, and assign funds to help airports in each BGS meet their capital project needs.¹⁹

FAA's Office of Airports is responsible for SBGP administration and oversight. Specifically, Regional Offices and ADOs are responsible for reviewing capital improvement plans for project eligibility and justification and conducting grant oversight to help ensure that BGS adhere to FAA and Federal requirements throughout the life of the grant. Participating States, in turn, prioritize, select, fund, and conduct oversight (typically FAA's role) of AIP projects at small airports. The Agency's arrangements with the States are formalized in MOAs and grant agreements.

Except for the requirements outlined above, FAA gives BGS flexibility in setting up their own processes and procedures for working with airports. The SBGP Advisory Circular encourages BGS to use this flexibility to develop innovative ways to improve program effectiveness in addition to fulfilling all statutory requirements.

¹³ 49 U.S.C. § 471; see also 49 U.S.C., chapter 471, subchapter I, Airport Improvement.

¹⁴ The AIP Handbook—first published in 1985, then republished in 2005 and most recently in 2019—includes guidance on the administration of AIP relative to BGS.

¹⁵ State Block Grant Program (SBGP), Advisory Circular 150/5100-21, section 5.2.4 (October 31, 2016).

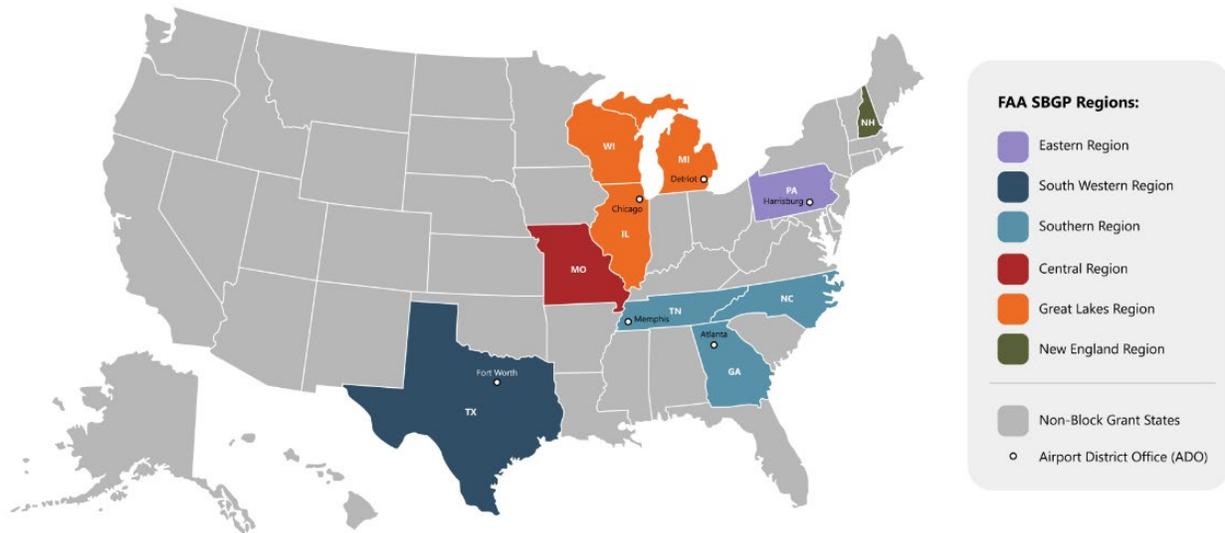
¹⁶ We refer to the AIP Handbook and the Advisory Circular jointly as "FAA policy" throughout this report. Other SBGP-related policies include the Airports Capital Improvement Plan (ACIP) and the NPIAS; for more details, see note 18.

¹⁷ FAA Regional Offices and Airport District Offices have the option to forward additional guidance to BGS.

¹⁸ The NPIAS identifies existing and proposed airports that are important to national air transportation, and estimates the type and cost of civil aviation development projects eligible for AIP funds. The ACIP is a subset of the NPIAS. It is FAA's primary financial planning tool for capital project needs of airports within the NPIAS. FAA also uses the ACIP to plan and manage AIP grants.

¹⁹ Other applicable Governmentwide guidance includes Title 2, Code of Federal Regulations (CFR), Part 200, which lists the requirements for administering Federal awards, and OMB Circular A-123, *Management's Responsibility for Enterprise Risk. Management and Internal Control* (June 6, 2018), which directs agencies to establish robust internal financial controls.

Figure. State Block Grant Program Structure



Source: OIG analysis

FAA distributes two types of AIP grants via the SBGP, formula and discretionary. The first type of funds, often referred to as entitlements, are based on formulas outlined in 49 U.S.C., chapter 471, that account for such factors as the number of annual enplanements. Discretionary funds include specific set-asides,²⁰ as well as money that was not distributed under the entitlements. FAA provided more than \$1.25 billion—or almost \$900 million in entitlements and more than \$300 million in discretionary funds—directly to States via the SBGP from fiscal year 2014 through fiscal year 2018 (see tables 1 and 2).

²⁰ FAA calculates set-asides after it determines entitlement funding and includes money for noise compatibility planning and projects; Military Airport Program participants; certain reliever airports; and projects for capacity, safety, security, and noise at primary and reliever airports.

Table 1. Block Grants Awarded to States, FY 2014–FY 2018 (in Millions)

Year	GA	IL	MI	MO	NC	NH	PA	TN	TX	WI	Total
2014	\$34.6	\$35.0	\$19.1	\$16.4	\$21.9	\$3.1	\$15.0	\$16.6	\$56.5	\$26.0	\$244.2
2015	\$41.9	\$24.0	\$34.4	\$32.9	\$18.2	\$2.0	\$12.1	\$13.2	\$76.0	\$23.9	\$278.6
2016	\$26.8	\$27.9	\$23.1	\$29.7	\$14.9	\$4.3	\$11.9	\$19.3	\$67.2	\$25.3	\$250.5
2017	\$30.2	\$18.9	\$25.8	\$29.6	\$16.9	\$5.7	\$12.3	\$15.5	\$55.0	\$27.3	\$237.3
2018	\$29.3	\$31.5	\$22.0	\$20.6	\$25.8	\$5.7	\$11.8	\$14.3	\$60.7	\$25.8	\$247.5
Total	\$162.8	\$137.4	\$124.4	\$129.1	\$97.8	\$20.9	\$63.1	\$78.8	\$315.4	\$128.4	\$1,258.1

Source: OIG analysis

Table 2. Block Grant Entitlement and Discretionary Awards, FY 2014–FY 2018 (in Millions)

Award	2014	2015	2015	2017	2018	Total
Entitlement	\$184.3	\$198.8	\$180.3	\$168.5	\$158.5	\$890.4
Discretionary	\$59.9	\$79.8	\$70.2	\$68.8	\$89*	\$367.7
Total	\$244.2	\$278.6	\$250.5	\$237.3	\$247.5	\$1,258.1

* Includes \$8.2 million of supplemental discretionary funds that were first made available in fiscal year 2018 and are awarded slightly differently than regular discretionary funds.

Source: OIG analysis

FAA’s Oversight of State Block Grant Project Selection Is Insufficient

FAA’s oversight does not cover the full SBGP rating, prioritization, and selection process. Moreover, the Agency only provided BGS with consolidated guidance on project selection 27 years after the program launched and has never evaluated the BGS processes to ensure they comply with Federal laws and regulations. In the absence of systematic oversight, clear guidance, and explicit criteria from FAA, BGS developed their own project priorities and approval methods.

FAA's Oversight Does Not Cover the Full SBGP Rating, Prioritization, and Selection Process

The Agency performs limited oversight activities during the project rating, prioritization, and selection process, beyond routine reviews of BGS capital improvement plans. In part, this is because FAA's SBGP policy and related documents are confusing and sometimes contradictory. On one hand, the AIP Handbook states that ADOs and Regional Offices should identify and provide initial consideration for all projects seeking AIP funding and include them in the ACIP—FAA's primary financial planning tool for airport capital projects.²¹ On the other hand, the SBGP Advisory Circular directs ADOs and Regional Offices to conduct assessments of selection eligibility on projects that seek discretionary funds—even though most SBGP projects receive entitlement funds.

Consequently, some FAA officials implemented the latter guidance rather than the former; as a result, FAA did not conduct assessments for all or even most SBGP projects. For example, officials at four ADOs told us that they perform only limited checks of projects that do not use discretionary funds, but we did not find any evidence that these checks had taken place. Thus, while FAA provided almost \$900 million in entitlement funds to BGS between fiscal years 2014 and 2018, it had little insight into the projects the States selected for those funds.

Moreover, our sample of 245 projects included 16 projects with a total value of \$4.9 million that were not included on any ACIP. We found no documented evidence that FAA assessed these 16 projects for eligibility and justification prior to awarding funds as its policy requires. BGS offered various reasons to explain why the projects were not included in the ACIP, such as last-minute decisions on moving forward with projects, local conflicts, or, as one BGS official told us, because the projects were funded solely by entitlement funds. Overall, based on those 16 projects, we estimate the Agency did not document its evaluation of projects with a combined, estimated cost of \$87.9 million in Federal funds, or 9.8 percent of the \$901 million in our universe.²² Thus, FAA may be funding projects that do not meet the minimum eligibility and justification requirements outlined in its own policy.

²¹ The inclusion of a project in the ACIP is not a guarantee of funding, and FAA does not consider the ACIP-listed value to represent the final determination of the project cost.

²² Our \$87.9 million estimate has a precision of -\$83 million or -9.2 percent at the 100-percent confidence level and +\$104.9 million or +11.6 percent at the 90-percent confidence level so that the confidence limits ranged from \$4.9 million to \$192.9 million, which is between 0.5 and 21.4 percent of the \$901 million in our universe.

Lacking Systematic Oversight From FAA, Block Grant States Developed Their Own Project Priorities and Approval Methods

While FAA primarily relies on BGS to rate, prioritize, and select projects slated for most AIP funds, it did not give the States targeted guidance on implementing the SBGP until 2016. Until that time, the SBGP-related policies were dispersed among many different sources, including the AIP Handbook, Advisory Circular, and Program Guidance Letters. As a result, according to BGS officials, they still do not fully understand or implement their SBGP-related responsibilities or identify project priorities.

The SBGP Advisory Circular requires the Agency to conduct random reviews of subgrants to ensure BGS adhere to FAA orders. However, the Agency has not reviewed BGS project rating, prioritization, or selection activities—whether pre-award or post-award—since the program was launched in 1989. Yet a 2013 internal review determined that BGS varied widely in their methods for approving revenue-generating facility projects. This is key because in recent years, States have targeted their SBGP funds toward revenue-generating projects rather than airside needs—development of aircraft-accessible areas, from runways to aircraft gates to the adjacent land. Between 2014 and 2018, 6 of 10 BGS selected revenue-generating projects. Even so, FAA has continued to emphasize airside needs.

The 2013 internal review of the SBGP recommended that FAA ensure all BGS understand the Agency's policy on funding construction of revenue-producing facilities and maintain documentation of their decisions to approve these projects. FAA addressed the first recommendation by including additional language in its policy. Specifically, FAA requires airport sponsors to certify that all airside needs have been met. Sponsors also must demonstrate to the ADO that, within the next 3 years (the current fiscal year and the two subsequent fiscal years), airside needs will be supported by local funds or entitlement funds. In accordance with FAA policy, this must occur before the ADO approves funding for a revenue-generating facility. However, the policy does not require BGS to document their own decisions for approving revenue-generating facilities.

FAA established a National Priority Rating (NPR)²³ scoring system to evaluate projects that are geographically dispersed and may differ in purpose. The Agency generates this score during its annual ACIP development process. But FAA also gives BGS the flexibility to use their own priority systems as long as they are

²³ A value generated based on an equation that takes into consideration the project and airport type.

consistent with FAA's system, which prioritizes safety projects. FAA's policy requires the Agency to review and determine whether each BGS priority system is consistent with the national priority system. Until that occurs, a BGS cannot use a priority system that differs from FAA's. Officials at four BGS told us that they are currently using non-FAA priority systems, but FAA did not provide a determination for one of the four. In addition, 23 of our sampled 245 projects, with a total value of \$6.3 million, were missing an NPR score. Based on that finding, we estimate that the NPR score was missing for—and therefore FAA did not evaluate—projects with a combined value of \$108.5 million in Federal funds, or 12 percent of our universe.²⁴

Due to the lack of consistent and comprehensive oversight from the Agency, BGS have developed their own project selection and approval methods. As a result, FAA may be funding airport projects that do not meet national priorities.

FAA Does Not Prevent Compliance Lapses or Resolve Persistent Problems in the State Block Grant Program

The Agency lacks a monitoring process for ensuring that BGS adhere to Federal financial laws and regulations. FAA also does not adequately train BGS officials how to implement applicable laws and regulations. While there are related policies in place, Agency officials do not enforce them. In addition, FAA has only partially addressed some ongoing and persistent issues in its oversight process that were identified in a 2013 internal program review, and its own reviews of the SBGP have been inconsistent and insufficient. Finally, the Agency's SBGP oversight officials often are not involved in FAA's efforts to follow up on issues identified in BGS Single Audits, a tool used to assess grantee compliance with Federal award requirements.

²⁴ Our \$108.5 million estimate has a precision of -\$102.2 million or -11.3 percent at the 100-percent confidence level and +\$165.5 million or +18.4 percent at the 90-percent confidence level so that the confidence limits ranged from \$6.3 million to \$274 million, which is between 0.7 and 30.4 percent of the \$901 million in our universe.

FAA Does Not Always Identify Block Grant States' Inability To Adhere to Federal Requirements

FAA did not realize that some BGS were spending funds on ineligible items or providing insufficient documentation to support their expenditures. As a result, the Agency reimbursed at least three BGS a combined total of approximately \$5.8 million in questioned costs²⁵ based on requirements outlined in FAA's policies.²⁶ FAA also does not close out grants timely, as required, and its process for tracking awards has led to reporting inaccuracies that impact its ability to effectively oversee BGS expenditures. Finally, FAA has provided insufficient training to ensure that BGS adhere to Federal requirements, despite requests from State officials. See exhibit E for the full breakdown of the issues we identified.

FAA Reimbursed BGS Approximately \$5.8 Million in Unsupported Costs

Federal regulations require Government agencies to check for improper payments, identify their causes, and implement solutions to reduce them, including a systematic method of review and a robust internal control system.²⁷ Despite these requirements and FAA's established internal control system, the Agency was unaware that at least three BGS had misused funds, submitted claims for questionable costs, and provided insufficient support for their expenditures before it reimbursed those States approximately \$5.8 million. However, we could not determine the full universe of compliance issues because FAA does not conduct consistent reviews to determine how BGS are spending SBGP funds.

Lapses in Adherence to FAA Policy. FAA policy requires BGS to obligate entitlement funds first and gives recipients the flexibility to use them over multiple years and transfer them to other airports or projects. In contrast, the same policy requires the Agency to reserve discretionary funds for the highest priority projects, and recipients must use them within a single year and only on the project for which they were awarded (see table 3). BGS must return any unobligated funds to FAA, which can then reallocate the money to other projects. This is so that FAA can direct these funds to locations of greatest need, in line with its highest priorities.

²⁵ The Inspector General Act of 1978 (5 U.S.C. App. 3 § 5(f)(2)) defines the term "unsupported cost" as a cost that did not have adequate supporting documentation at the time of the audit.

²⁶ FAA's *AIP Handbook* and *AIP Grant Payment and Sponsor Financial Reporting Policy* provide specific requirements regarding submission of supporting documentation for all payment requests and use of funds.

²⁷ 2 CFR Part 200. OMB Circular A-123, appendix C: *Requirements for Payment Integrity Improvement* (June 26, 2018).

However, FAA does not have a way to track how—and in what sequence—BGS spend discretionary and entitlements funds on each project. Currently, Delphi, the Department’s invoicing system, only allows FAA to track expenditures by the grant, which may fund many different projects. Moreover, FAA policy does not direct Agency officials to conduct detailed audits after projects are completed to determine how the funds were actually spent.

Table 3. Availability of Funds by Type and Sequence of Use

Fund type	Sequence	Availability for obligation
Entitlement—Non-Primary Entitlement	First	3 fiscal years immediately following the year in which the funds are awarded, or a total of 4 years.
Entitlement—State Apportionment	Second	3 fiscal years immediately following the year in which the funds are apportioned, or a total of 4 years.
Discretionary	Third	Only in the year in which the funds are awarded, or for no more than 1 year.

Source: OIG analysis of FAA policy

We found two instances where a BGS did not adhere to the FAA policy on sequence of funds obligation:

- In the first example, according to FAA officials, the Michigan Block Grant Program wanted to make maximum use of its entitlement and discretionary funds. In 2018, the Detroit ADO determined that Michigan had bypassed FAA’s restrictions on sequence of funds obligation as stated in the AIP Handbook, and obligated its discretionary funds first. FAA officials told us that they met with Michigan officials when they identified the issue, corrected their understanding of the FAA policy, and took action to recover the funds that had been expended inappropriately.
- The second example concerns officials at the Missouri Block Grant Program, who told us that at times they do not adhere to FAA’s policy on sequence of funds obligation because they are trying to comply with the Agency’s other requirements. These BGS officials also interpreted FAA policy to mean that funds could be used in any sequence as long as discretionary funds only covered shortfalls that existed after the allocation of entitlement funds. Due to these gaps in awareness and understanding, they were unable to comply with the policy on fund use. A BGS official in another State had a similar misunderstanding, stating that FAA wants BGS to bill and close discretionary grants first.

Both situations occurred because FAA lacks clear guidance on how and when BGS should expend funds. For example, while ADO officials directed us to a section of the AIP Handbook called “Grant Amendment Limit for Increase,” officials at FAA Headquarters referred us to “Expiration of AIP funds.” Moreover, the two sections do not provide the same information, and neither section explicitly states that entitlement funds should be expended before discretionary funds. FAA also lacks a documented procedure to help Agency staff assess BGS adherence to the guidance, as well as a process for assessing this activity on a regular basis—via audits or some other type of review. Thus, FAA is unable to fully determine the extent and impact of the issue.

Questioned Costs. Federal regulations allow grantees that have not been reimbursed in a timely manner to request interest from the Federal Government.²⁸ Based on this regulation, FAA used AIP Trust funds to pay \$12,835 in Federal liability interest to the Michigan Block Grant Program between 2010 and 2016. Later, in 2017 and 2018, FAA reviewed and denied two similar claims from Michigan because an Agency review determined that FAA had reimbursed the BGS timely. According to Agency officials, Michigan Department of Transportation personnel have not responded to FAA’s attempts to determine the scope of these requests for interest payments and decide whether additional action is necessary. While Michigan has repeatedly stated to FAA that all its claims were warranted, the Agency maintains that it reimbursed Michigan on a timely basis.

Furthermore, during our review we determined the issue may not be limited to Michigan. We obtained documentation from the Office of the Secretary of Transportation (OST) for similar claims from other BGS going back to fiscal year 2008. Based on that documentation, we learned that for fiscal years 2008–2015, the AIP Trust Fund was not debited for the interest owed to States;²⁹ thus the Federal Government paid \$14,271 in interest to those States in fiscal year 2017. We were unable to obtain any justification³⁰ for this payment; as a result, FAA lacks assurance that this payment from its AIP Trust Fund was accurate and proper. Without a process to track how and when the States expend their SBGP funds, FAA cannot guarantee that the BGS claims are supported and accurate.

²⁸ The Cash Management Improvement Act of 1990 (CMIA) requires States to draw Federal funds exactly when they are needed and Federal programs to be “interest-neutral.”

²⁹ A CMIA requirement.

³⁰ According to 31 CFR Part 205, *Rules and Procedures for Efficient Federal–State Funds Transfers*, a State must submit a description and supporting documentation for liability claims greater than \$5,000. OST officials informed us that the Department of Treasury automatically processes claims of less than \$5,000 per year and does not require a review by the Agency associated with the claim.

Insufficient Documentation. FAA policy lists the minimum requirements for the grant documentation BGS submit to the Agency: it must be clearly labeled and searchable, and each invoice should include seven pieces of information, including contractor name, date of invoice, and billed amount.³¹ However, between 2013 and 2016, FAA reimbursed the Wisconsin Block Grant Program a total of \$5.7 million without the minimum documentation FAA requires.

FAA officials acknowledged Wisconsin had submitted incomplete documentation but disagreed about the extent of the problem. They attributed the issue to a lack of training due to staff turnover and insisted that it had lasted “for several months” rather than many years and had since been corrected. To bolster its case, the Agency provided an example of Wisconsin’s supporting documentation for a payment made in 2019. However, some required information was missing, including a descriptive detail of the cost with the number of hours billed, quantity received, and type of materials used. Inadequate supporting documentation inhibits FAA’s ability to oversee grant payments and increases the risk of improper payments.

Grants Remain Open Past the Period of Performance

FAA policy states that the period of performance for all AIP grants should not be more than 4 years.³² Grants that remain open beyond 4 years may be subject to additional scrutiny and may affect a State’s ability to receive new grants.

FAA, however, has been aware since 2013 that BGS were not meeting their grant periods of performance.³³ In 2017, FAA attempted to address the issue by tracking grant expenditure and closure rates for each BGS and reporting those data to the appropriate ADOs and Regional Offices, which were expected to use the information to tailor their oversight activities.³⁴ But the Agency still struggles to ensure block grants are closed out in a timely manner.³⁵ We found that 11 of the 38 purchase orders in our sample,³⁶ totaling \$115.7 million, had been open

³¹ The other required attributes include invoice number, breakout of AIP and non-AIP participating costs, worksite name, and short summary of services/material billed.

³² 2 CFR Part 200 (Federal regulations); AIP Handbook and SBGP Advisory Circular (FAA policy).

³³ In 2011, FAA contracted with Delta Airport Consultants, Inc. (herein referred to as the consultant) to review the 10 State programs; for more details, see “FAA’s Responses to SBGP Reviews Have Not Resolved Lingering Programmatic Issues” in this report. The consultant’s 2013 final report discussed noncompliance in periods of performance.

³⁴ According to an FAA official, “The reports are provided monthly at SBGP meetings. States are encouraged to work with their respective Regional Offices/ADOs to address issues affecting their expenditures/expenditure rates.”

³⁵ 2 CFR Part 200 describes *closeout* as the process in which the Federal awarding agency determines that the non-Federal entity has completed all applicable administrative actions, as well as all work associated with the award.

³⁶ *Grant* refers to the quantity of money awarded by the Government; *purchase order* is the tool the Government uses to get that money to the awardee. The 38 purchase orders in our sample applied to 37 grants because 2 purchase orders were connected to 1 grant.

for more than 4 years. Based on that finding, we estimate that 59 purchase orders³⁷ with a combined value of \$233 million, or 25.9 percent of our universe, remained open past their periods of performance.³⁸

In addition, FAA has only once withheld discretionary funds from a BGS between fiscal years 2013 and 2015. When we asked FAA officials about this, they said that block grants pose a unique challenge because subgrants may start later; for the main grant to be closed, all projects and subgrants must be closed as well. They added that they had initiated a comprehensive review to determine the cause of the delays, but it was not completed.

FAA officials also said they had little enforcement ability in this area before 2016, when new Federal regulations³⁹ required agencies to establish periods of performance for all grants. FAA policy now allows oversight officials to unilaterally deobligate the funds and close the grant if the period of performance exceeds 4 years and the BGS does not request an extension. Previously, the Agency did not mention periods of performance in its grant agreements with BGS. This has created ongoing differences in the implementation of Agency policy, sometimes within a single region. For example, one ADO official told us that FAA Headquarters wants grants closed out within 5 to 6 years, while another official in the same region said it is 4 years, the timeframe stated in the AIP Handbook.

Closing out grants on a timely basis could allow FAA to redirect resources toward other AIP projects or return unobligated funds to the Treasury.

FAA Does Not Enforce Timely Submission of Required Grant Documentation, and Closeout Files Are Often Incomplete

Federal regulations require BGS to provide FAA with certain financial reports—including grant applications, Federal Financial Reports, and Outlay Reports⁴⁰—that summarize grant expenditures and the status of project funds. FAA policy prohibits submissions of these reports in batches or all at once at the end of a grant. Still, these reports and other documentation are a critical part of FAA's

³⁷ Our estimate of 59 purchase orders has a precision of +/-23 or +/-9.9 percent at the 90-percent confidence level so that our confidence limits ranged from 36 to 82, which is between 4.8 and 35.8 percent of the 229 purchase orders in our universe.

³⁸ Our \$233 million estimate has a precision of +/- \$89.6 million or +/-9.9 percent at the 90-percent confidence level so that our confidence limits ranged from \$143.4 million to \$322.6 million, which is between 15.9 and 35.8 percent of \$901 million in our universe.

³⁹ 2 CFR Part 200.

⁴⁰ Federal Financial Reports (Standard Form [SF] 425) are required to be submitted annually and at grant closeout. Outlay Reports (SF 271) summarize grant construction cost reimbursement requests on an annual basis and at grant closeout.

internal controls for its grant activities. However, 25 of the 37 grant files we reviewed were missing required reports or contained reports that had been produced anywhere from 8 days to 8 months after the reporting period. Furthermore, even when BGS submitted the required financial reports, they often did so in batches, counter to FAA policy.

For example, at one BGS, we reviewed 11 grants, totaling almost \$57.4 million, issued between fiscal years 2014 and 2018. We determined that all 11 lacked required documentation to substantiate reimbursement claims. We found similar examples in Michigan, North Carolina, and Missouri—13 grants with a combined value of more than \$107.8 million.

Additionally, many of the BGS annual financial reports in FAA files were incomplete—missing signatures or submission dates—or included inaccurate reporting periods, financial amounts, or details on the progress of the grant (see table 4). For example, in fiscal year 2017, one BGS filed Outlay Reports for three grants, listing all of its grant costs, approximately \$23.6 million in miscellaneous costs—the last and least descriptive category on the form. Other categories include construction and project improvement cost, administrative expense, architectural engineering basic fees, project inspection fees, and land development and are intended to help FAA understand how BGS use the funds. However, 2 years later, in fiscal year 2019, the BGS did not report any miscellaneous costs for the same three grants. In fact, the BGS reported costs for those three grants in eight different categories, including those we highlighted. It is the combination of these facts that causes us to question the reporting and the extent of FAA’s review. The errors and lack of detail in the financial reports hinder FAA’s ability to conduct effective oversight of the SBGP. As a result, the Agency cannot provide assurance that the program is operating as intended and that projects are administered in fiscally responsible manner.

Table 4. Inaccurate and Incomplete Financial Reports

Block Grant States	Impacted grants	Impacted disbursements (in millions)	OIG analysis
MI	5	\$66.1	The State inaccurately reported the percent of project completion.
MO	8	\$40.3	The State inaccurately reported the period covered and financial amounts and was missing certification signature and submission date.
NC	3	\$25.3	The State inaccurately reported financial amounts and was missing certification signature and submission date.
WI	11	\$57.4	The State inaccurately reported financial amounts and was missing submission date.
Total	27	\$189.1	

Source: OIG analysis of BGS financial reports

Federal regulations require non-Federal entities to establish and maintain effective internal controls that provide reasonable assurance that they are complying with the grant’s terms and conditions, as well as applicable Federal statutes and regulations, and that the information is accurate.⁴¹ In addition, FAA policy⁴² requires Agency officials to complete a closeout documentation review checklist and a final project report, among other materials, to ensure that all paperwork for the grant is accurate and complete. However, 4 of the 11 grant files we reviewed were missing financial closeout documentation to demonstrate that FAA had verified the project files were complete and the grant requirements had been met. FAA did not complete the checklists for any of the four grants. Two grant files were also missing critical information, such as the amount of State and local funds used to supplement the grant.

Per FAA policy, since fiscal year 2017, BGS must give FAA a record at closeout that shows how each airport used funds from each block grant. Our sample of 37 grants included 8 that were closed after fiscal year 2017. Of those eight, four grants—totaling \$40.9 million—did not include this documentation, but FAA closed them and noted in its files that the BGS had met all requirements.

⁴¹ 2 CFR § 200.303.

⁴² The Administrative Closeout of AIP Grants Standard Operating Procedure compiles requirements that are further described in various FAA orders, regulations (2 CFR Part 200), and FAA policy (Advisory Circulars and the AIP Handbook).

FAA policy also requires BGS to complete the financial forms and submit them to ADO or regional officials. Although the Office of Management and Budget (OMB) issued guidance on how to complete the form, State officials told us that they need training on the topic. In addition, the Agency does not give ADOs or Regional Offices guidance on reviewing the forms to ensure adherence to Federal requirements or actions to take if the forms are not submitted timely or are incomplete or inaccurate. For example, one BGS reported it had expended all grant funds but did not provide documentation to support its expenditures. FAA did not provide any evidence that it had taken corrective actions, and the original BGS report remains a part of the Agency's grant file.

When BGS submit reports that are late, inaccurate, or incomplete, it limits FAA's ability to monitor grant activity and the SBGP effectively. Furthermore, the Agency's inability to review grant activity on a timely basis increases the risk that FAA will make improper payments.

SBGP Data Are Unreliable and Difficult To Reconcile

To ensure that Federal awards are administered effectively, Federal regulations require Government agencies to collect award data from grantees on an annual basis.⁴³ Federal agencies can rely on these data to monitor progress and to inform improvements in program outcomes and productivity. In addition, Federal law requires recipients of Federal awards to annually report data to the public.⁴⁴ FAA satisfies the former requirement using the self-reported data BGS provide when they satisfy the latter requirement. FAA officials input the BGS data into the Agency's System of Airports Reporting (SOAR), which is used for grants management, funds control, and grant closeout coordination. However, our review of the data FAA provided to us identified several inaccuracies related to project description, location, and amount, as well as instances where data were omitted. These errors occurred because FAA does not review the BGS reports to ensure that the data are accurate and complete. Our statistical sample of 38 purchase orders included 2 with a total value of \$5.7 million that we could not review because the data were incomplete. Based on that finding, we estimate that

⁴³ 2 CFR Part 200 requires FAA to collect the information as required by the Federal award, but no less than annually and no more than quarterly unless more frequent reporting is necessary to monitor the award effectively or to avoid significantly affecting program outcomes. The resulting report should include details like the project description, airport, and amount and type of funds used.

⁴⁴ The Federal Funding Accountability and Transparency Act of 2006, Pub. L. No. 109–282 (2006).

15 purchase orders with \$59.6 million in Federal funds—or 6.6 percent of the \$901 million in our universe—have incomplete data.⁴⁵

The Agency also collects SBGP data via Delphi, the Department’s eInvoicing system. FAA policy⁴⁶ requires grantees to request and receive payments electronically via the eInvoicing system, which permits real-time monitoring of payments. Although Delphi and SOAR are derived from different sources, the two datasets serve a similar purpose—monitoring grant performance. FAA procedures require that they be used together and their records reconciled. However, we were unable to reconcile the SOAR data FAA provided to us with the Delphi data we obtained using Agency-provided guidance. When asked why, Agency officials explained that there are no common identifiers between SOAR and Delphi, and SOAR grant histories do not reflect Delphi payment history. Thus, reconciliation methods are limited to manual crosswalks, which require converting AIP grant award numbers to Delphi purchase order numbers, a cumbersome task. As a result, FAA does not have the complete set of data it needs to provide effective oversight of the SBGP funds.

Insufficient Training Hinders BGS Officials’ Ability To Comply With Federal Requirements

The Agency offers in-person and online training⁴⁷ on administering the AIP; course subjects range from SBGP general requirements to FAA’s payment policy to procedures for determining environmental impact. FAA and BGS officials are both eligible to attend classes at the FAA Academy, which are scheduled in advance and held at FAA Headquarters or another Agency-designated location. However, some AIP-related courses or portions of courses are reserved for FAA officials only. FAA and BGS officials also have access to an online training platform—the electronic Learning Management System (eLMS)—which is available at any time.

These courses are in line with GAO requirements for management to “tailor training based on the needs of the [individual staff] role” and provide employees with “the right training, tools, structure, and responsibilities.”⁴⁸ In addition, the

⁴⁵ Our 15 purchase order estimate has a precision of -13 or -5.7 percent at the 100-percent confidence level and +25 or +10.9 percent at the 90-percent confidence level so that our confidence limits ranged from 2 to 40 or 0.9 to 17.5 percent of the 229 purchase orders in our universe. Our \$59.6 million estimate has a precision of -\$53.9 million or -6 percent at the 100-percent confidence level and +\$98 million or +10.9 percent at the 90-percent confidence level, so that our confidence limits ranged from \$5.7 million to \$157.7 million, which is between 0.6 and 17.5 percent of the \$901.0 million in our universe.

⁴⁶ FAA Office of Airports, AIP Grant Payment and Sponsor Financial Reporting Policy, December 31, 2015.

⁴⁷ The draft MOA included in the Advisory Circular requires States to “maintain an organization capable of effectively administering the SBGP funds, including trained and professional personnel sufficient to fulfill the State’s program responsibilities under this Agreement.”

⁴⁸ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

SBGP Advisory Circular states that “FAA will notify SBGP States about training classes and associated costs, as they become available.”

However, officials at the North Carolina Department of Transportation (NCDOT) told us that they were repeatedly excluded from training opportunities. They find this particularly concerning because they see no difference between FAA’s and NCDOT’s oversight of SBGP; both entities follow the AIP Handbook. Similarly, in February 2018, officials at the Missouri Department of Transportation told FAA they wanted additional access to in-person courses at FAA Academy but were not offered the opportunity. They tried to access the eLMS system, but some courses were unavailable and others were not useful for their purposes.

According to FAA officials, the Agency sends States the current list of courses at the beginning of each fiscal year. Some BGS officials, however, told us that FAA provides short notice of class availability because FAA personnel are given priority for registration. In addition, in-person training is always at FAA Headquarters or the FAA Academy in Oklahoma City, which requires most BGS officials to pay for travel and lodging. According to some of these officials, the course and travel costs are prohibitive, based on BGS budgets that are determined before they receive FAA’s list of classes.

While FAA notifies BGS officials about course availability and provides access to online offerings, it does not require them to complete or attend the courses. As we have noted throughout this report, BGS officials often cite the lack of training as the reason that documentation is missing, inaccurate, or incomplete.

FAA’s Responses to SBGP Reviews Have Not Resolved Longstanding Programmatic Issues

FAA conducted an internal review of the SBGP in 2013 that included each of the 10 BGS—at intervals that varied from region to region—and has occasionally conducted reviews since that time. However, the Agency has yet to address half of the recommendations from the 2013 internal review, and its regional reviews have been administered inconsistently and do not hold anyone accountable for taking corrective action. Furthermore, FAA has not effectively implemented the Agency’s procedure for collecting, reviewing, and addressing AIP-related issues discussed in individual BGS Single Audits.

FAA Has Not Fully Addressed the Recommendations From Its SBGP Review

FAA’s efforts to assess the SBGP began in 2011, when the Agency contracted with a consultant to:

- Review the 10 BGS programs and the extent of FAA oversight,
- Determine if statutory and major program administrative requirements were being met, and
- Identify best practices, program efficiencies, and good examples of State guidance to airport sponsors.

The consultant interviewed officials in all 10 States, reviewed governing documents, and analyzed each State’s distribution of funds, and in 2013 submitted its overall report, along with individual reports for each BGS. The report concluded that specific factors were impacting FAA’s oversight of the SBGP, including inconsistencies between grant documents—MOAs, agreements, financial reports, etc.—and identified 22 recommendations and best practices for improving FAA’s oversight and each State’s implementation of the SBGP. However, FAA has been slow to implement changes based on the consultant’s recommendations since the report was issued in 2013.

FAA tried to address some of the issues by issuing the SBGP Advisory Circular,⁴⁹ which gives BGS guidance on the implementation of the program. However, based on our review, FAA has fully addressed only 10 of the consultant’s 22 recommendations (see exhibit E). For example, the consultant recommended that FAA standardize its MOA and block grant agreements to ensure consistency and relevance, solidify roles and responsibilities, and confirm program requirements. However, FAA did not begin updating the MOAs until 2016 and has not finalized the process as of the date of this report. Meanwhile, many BGS are operating under MOAs that are more than a decade old and do not reflect changes resulting from new FAA policies, such as the SBGP Advisory Circular.

State	Date MOA Was Signed
Texas	Annually ⁵⁰
Tennessee	March 2006
North Carolina	May 2006
Missouri	May 2007
New Hampshire	April 2008
Georgia	October 2008
Michigan	March 2010
Illinois	August 2010
Pennsylvania	March 2017
Wisconsin	June 2019

⁴⁹ SBGP Advisory Circular.

⁵⁰ Texas annually attaches the MOA to each Block Grant Agreement that it signs with FAA.

According to FAA, the main barrier to completing a new MOA has been BGS reluctance to accept the expanded roles and responsibilities outlined within the document. Working to update the MOA in 2016, FAA required each BGS to submit by January 2017 an implementation plan that identified the program gaps to be filled, as well as the resources and time the States would need to comply with FAA policy. The implementation plans were based on questions posed by FAA and intended to be BGS self-assessments of their ability to meet the 11 main SBGP requirements. However, the resulting plans contained few details; for the most part, they were limited to one-word responses to the Agency's questions. Whenever BGS provided more elaborate responses, they also raised a number of concerns—such as staff retention, closing out grants in a timely manner, and project prioritization. As our audit work shows, FAA has not adequately addressed these concerns.

FAA also did not distribute the consultant's individual reports to all the ADOs or Regional Offices that provide direct oversight or to all the respective BGS for their review and action. As a result, some of the issues the consultant identified remain in place today. For example, officials from five BGS told us that obtaining sufficient SBGP-related training is an issue.

FAA Program Reviews Lack Consistency and Accountability for Taking Corrective Action

In 2013, the consultant recommended that FAA conduct periodic reviews of different program aspects, such as construction standards or environmental reviews. Since then, the Agency has conducted program reviews in five of the eight offices that provide direct oversight to the SBGP. Most of those reviews, however, have been informal and do not contain follow-up actions. For example, one ADO identified "missing or insufficient documentation" as a problem during a review, but it did not indicate if this was a critical issue, include ways to address it, or obtain a response from the BGS. In a different example, a BGS provided a formal response to the ADO's review, disagreeing with several of the findings. FAA did not follow up with State officials in either case to reconcile their differences or confirm which issues had to be addressed.

In its *Standards for Internal Control in the Federal Government*,⁵¹ GAO calls for Agency management to establish activities that will effectively assess the quality of performance over time and promptly resolve audit findings. To that end, FAA policy describes a process for developing an audit plan that includes both periodic program inspections and formal reviews of a State's management of the SBGP. In addition, the Agency would review at least one program area in each

⁵¹ GAO, *Standards for Internal Control in the Federal Government* (GAO-14-704G), September 2014.

State every 3 years, including but not limited to, grant administration, project implementation, and overall program administration.⁵²

In 2018, FAA drafted an SBGP audit plan in coordination with its Regional Offices and ADOs. However, the plan remains in draft form, and the Agency has not conducted a formal review of the SBGP, or most of the BGS, since 2013. FAA officials told us that the Agency will implement the audit plan when it issues the new MOA and will announce both documents in a future Advisory Circular. Due to the lack of clear guidance on how to design and implement an internal audit program, individual offices are conducting reviews on their own terms. The lack of a formal audit plan hinders FAA's ability to identify critical issues and ensure effective resolutions in a timely manner. Furthermore, it impacts the ability of Congress and the Department to assess the success of the program for purposes of providing funds. See table 5 for our assessment of the reviews FAA conducted within each region.

Table 5. Program Reviews, FY 2014–FY 2018

Region	ADO	Number of reviews completed	Types of reviews	OIG analysis
New England	N/A	1	Subgrants	The ADO's review was informal and did not explain how FAA assessed the documentation collected.
Eastern	Harrisburg	2	Subgrants	The ADO's review was informal and did not detail the methodology of its review.
Southern	Atlanta	0	N/A	The ADO did not conduct any formal or informal reviews of its block grant program.
	Memphis	0	N/A	The ADO did not conduct any formal reviews of its block grant program or have an audit plan.
Great Lakes	Detroit	4	Grant Management Process, Environmental, and Pavement	The ADO's reviews were formal, robust, and documented; and they included a detailed and comprehensive audit plan and methodology but lacked follow-up on findings.
	Chicago	0	N/A	The ADO did not conduct any formal reviews of its block grant program or have an audit plan.

⁵² Other review areas listed in the 2016 SBGP Advisory Circular include sponsor eligibility, consultant selection, planning processes and projects, environmental processing, land acquisition, airport layout plans, and compliances/releases.

Region	ADO	Number of reviews completed	Types of reviews	OIG analysis
Central	N/A	17	Informal Reviews, Quarterly Payment Audits, and Subgrants	The Regional Office is very involved with the SBGP, a finding noted during the 2013 internal review. However, the informal nature of most reviews (which lack a methodology, documentation, and corrective action plan) make it difficult to determine whether they are targeting and properly addressing the most critical requirements in a timely manner.
Southwestern	Texas	1	Environmental	The ADO's review was informal, but the ADO did not detail an audit plan or methodology and did not adequately address findings.

Source: OIG analysis of FAA documentation

FAA Does Not Fully Account for Issues Identified in State Single Audits

Federal regulations require every non-Federal entity that receives over \$750,000 from the Government to undergo an annual assessment—known as a Single Audit—conducted by an independent auditor.⁵³ Single audits have a significant public interest component as agencies use them to assess grantee compliance with Federal requirements. Moreover, FAA policy requires the Agency to account for a “history of previous Single Audit findings” when determining the risk level of sponsors—in this case, the BGS.⁵⁴

Between fiscal years 2014 and 2018, half of the BGS had at least one AIP-related finding—such as noncompliance with final reporting requirements—in their Single Audits, including some from the prior year that had not been resolved (see table 6). For example, in fiscal year 2018, a Single Audit included three findings related to a material weakness in the State of North Carolina’s internal control for monitoring fund usage and compliance with AIP financial reporting requirements. In response to the audit, the North Carolina Division of Aviation Management stated the AIP financial reporting issues had occurred because the State officials responsible for preparing and reviewing the Federal Financial Reports did not know and had not been trained on how to properly complete the forms.

⁵³ 2 CFR § 200.501.

⁵⁴ The AIP Grant Oversight Risk Model Policy lists three categories of factors that FAA must consider when determining a sponsor’s risk level: sponsor policies and information technology structure, sponsor past performance, and sponsor expertise.

Table 6. Block Grant State Single Audit Findings, FY 2014–FY 2018

State	Fiscal year(s) in which findings occurred	Number of findings	Frequency of financial reporting noncompliance	Number of material weaknesses/significant internal control deficiencies
Illinois	2014–2018	5	1	5
Michigan	2014–2015	1	1	0
New Hampshire	2015	1	0	1
North Carolina	2018	3	1	3
Texas	2018	3	0	3
Wisconsin	2017–2018	2	1	0

Note: Date ranges reflect findings that occurred over multiple years.

Source: OIG analysis

FAA lacks guidance that directs ADO or Regional Office staff to review the Single Audit reports because, according to FAA, these issues are mainly handled by a different division within the Office of Airports.⁵⁵ As a result, ADO and Regional Office involvement and oversight of the Single Audit Report findings vary from office to office. While some offices review the findings from these reports on an annual basis and follow up with BGS to ensure the issues are addressed, other offices do not conduct any reviews at all. The lack of involvement at the ADO or Regional Office level inhibits Agency officials’ ability to know where to target their oversight.

Conclusion

Block Grant States play an important role in the Airport Improvement Program (AIP), taking on responsibilities on FAA’s behalf and striving to ensure that funds are used in accordance with Agency and Federal requirements. While recent Federal legislation has expanded the program and increased its funding, demands for AIP grants continue to exceed the amount of available funds. Thus, it is critical that FAA monitors participants in the State Block Grant Program to ensure they comply with Federal requirements. FAA can accomplish this by refining and strengthening its oversight of the States and working meticulously to award grants only to projects that are consistent with national priorities.

⁵⁵ FAA’s Financial Management Analysis Group, which is part of the Airport Compliance Division, oversees the Agency’s Single Audit resolution process.

Recommendations

To improve FAA's oversight of the State Block Grant Program (SBGP) project selection process and grantee adherence to Federal laws and regulations, we recommend that the Federal Aviation Administrator:

1. Revise FAA policy to include equitable review of projects funded by discretionary and entitlement funds, and perform regular formal assessments of Block Grant States' (BGS) adherence to Federal requirements for project selection.
2. Revise FAA's policy on documenting project-approval decisions to ensure that BGS adhere to project prioritization.
3. Revise and implement FAA's process for resolving instances of insufficient documentation as support for reimbursement to BGS.
4. Request supporting documentation for the transactions related to the \$5.7 million in unsupported project costs we identified in Wisconsin, and collect all unsupported costs or identify FAA's rationale for accepting them.
5. Assess the claims related to the \$12,835 in unsupported Cash Management Improvement Act reimbursements we identified in Michigan, and review similar transactions within the SBGP for unsupported costs. Develop an action plan to collect all unsupported costs or identify FAA's rationale for accepting them.
6. Develop and implement a procedure for monitoring BGS adherence to requirements for Airport Improvement Program (AIP) expenditures at regular and frequent intervals.
7. Revise guidance for all AIP stakeholders to reinforce the required sequence in which different types of AIP funds are to be expended.
8. Require Airport District Offices (ADO) and Regional Offices to comply with grant closeout requirements for BGS. Implementation of this recommendation could put \$115.7 million in funds to better use.
9. Develop and implement a procedure to verify the accuracy of BGS data submissions. Implementation of this recommendation could put \$5.7 million in funds to better use by improving FAA's grant management oversight.

10. Formalize and implement minimum training requirements for BGS officials, and give BGS access to all FAA-conducted, AIP-related online and in-person training.
11. Finalize the draft Memorandum of Agreement outlined in the SBGP Advisory Circular and implement it for all 10 current BGS and any future program entrants.
12. Finalize and implement an SBGP-wide audit plan in accordance with FAA's SBGP Advisory Circular, and include a requirement to document resolution of findings.
13. Ensure compliance or implementation of FAA's procedure for sharing resolutions of Single Audit Report recommendations with the ADOs and Regional Offices that oversee the BGS.

Agency Comments and OIG Response

We provided FAA with our draft report on December 4, 2020, and received its formal response on January 25, 2021, which is included as an appendix to this report. FAA concurred with recommendations 1–6 and 8–12 and provided appropriate planned actions and completion dates. The Agency partially concurred with recommendations 7 and 13.

For recommendation 7, FAA stated that because our scope was limited to the BGS—and not all States—the Agency did not need to revise guidance for all AIP stakeholders. However, FAA agreed, as an alternative, to revise its guidance for all SBGP States to reinforce the required sequence for expending different types of AIP funds. This proposed action meets the intent of our recommendation.

For recommendation 13, FAA agreed to implement its procedures for sharing resolutions of Single Audit Report recommendations with the ADOs and Regional Offices that oversee the SBGP. This proposed action meets the intent of our recommendation.

Actions Required

FAA provided appropriate planned actions and completion dates for all 13 recommendations, and we consider them resolved but open pending completion of the planned actions.

Exhibit A. Scope and Methodology

We conducted this performance audit between July 2019 and December 2020 in accordance with generally accepted Government auditing standards as prescribed by the Comptroller General of the United States. 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 determine whether FAA provides adequate oversight of the SBGP, we assessed the Agency's oversight of (1) State project selection and (2) grantee and subgrantee compliance with Federal laws and regulations on the use of funds. To address our objectives, we reviewed applicable laws and regulations, such as the AIP Handbook (FAA Order 5100.38D) and SBGP Advisory Circular (150/5100-21), as well as grant files maintained by the BGS and FAA. We also contacted or interviewed representatives from FAA's office of Airports, Washington, DC; FAA Regional Offices and ADOs; OST representatives; State aeronautical agencies; and Aviation Industry Trade Organizations.

We obtained and tested a statistical sample of SBGP grants issued between fiscal years 2014 and 2018 using an FAA-provided Delphi report with 10,634 purchase order detail records. We extracted 235 records with "SBGP" in the sixth position of the purchase order number. We then computed the disbursement amount by subtracting "quantity canceled" and "undisbursed obligations balance" from "quantity ordered." Our Stage 1 universe consisted of these 235 records, which had a disbursement amount of \$901,025,553.97. We aggregated the disbursement amounts by State and stratified the 10 States into 2 strata:

- Stratum 1 was a census of two States—Michigan and Wisconsin—that we considered to be high risk because we identified potential fraud and lapses in adherence to Federal requirements during our research and survey phases.
- Stratum 2 was a sample of three—Missouri, North Carolina, and Texas—of eight States selected with probability proportional to size (pps) with replacement where size was a State's disbursement amount.

For Stage 2, we extracted all 133 records from our Stage 1 universe for the 5 States selected in our Stage 1 sample. We aggregated the disbursement amounts records by purchase order number and selected a stratified pps sample of 45 of 130 purchase orders where size was the disbursement amount of a purchase order within a State and a stratum consisted of a State. Seven purchase

orders were selected twice due to the “with replacement” sampling methodology, which reduced our actual sample size from 45 to 38.

For Stage 3, we received a file from FAA’s Office of Airports with information for 493 projects for the 38 purchase orders in our Stage 2 sample. We stratified these projects by State and purchase order number and selected a stratified simple random sample of 245 of 493 projects. Our Stage 3 sample had a disbursement amount of \$108,601,125.34.

To assess FAA’s oversight of State project selection, we reviewed State Capital Improvement Plans and the Agency’s ACIPs for each of the applicable years within our scope (fiscal years 2014–2018). We also interviewed State and FAA officials to determine the roles and responsibilities at each level in the process, required documentation, and policies and procedures for project selection.

Finally, to assess FAA’s oversight of grantee and subgrantee compliance with Federal laws and regulations, we:

- Reviewed obligation and expenditures of grants funds by type (non-primary entitlement, State apportionment, and discretionary funds);
- Reviewed reimbursement requests and supporting documentation submitted related to the Cash Management Improvement Act (CMIA);
- Interviewed OST officials responsible for reviewing claims that exceed CMIA threshold and obtained documentation on claims submitted by all BGS from fiscal years 2010 to 2018.⁵⁶
- Collaborated with OIG’s Data Analysis and Computer Crimes Unit to review supporting documentation for State of Wisconsin that had been flagged following a Benford analysis;
- Calculated the period of performance for each block grant from the date the State signed the grant agreement to the date the State closed the grant;
- Obtained and reviewed financial reports States were required to file for each grant in our sample, including Standard Form (SF) 425 and SF-271, to:

⁵⁶ For fiscal years 2008 to 2015, the AIP Trust Fund was not debited for the interest owed to States under the CMIA; in fiscal year 2017, a “catch-up” payment was made to States for those years. Because the catch-up payment was made within our scope, we have included the entire payment.

- determine whether the State provided the forms 90 days after the end of the Federal fiscal year (September 30) during the lifecycle of the grant;
- examine the forms for accuracy and completeness using OMB instructions.
- Obtained and reconciled closeout documentation for accuracy and completeness, including the Closeout Document Checklist, Final Project Report, Closeout Letter, final versions of SF-425 and SF-271, list of projects with funding amounts, Delphi Grant Payment Detail Report, and SOAR Grant Status Report;
- Obtained MOAs for all 10 BGS and assessed them for relevance using the last signature date;
- Obtained implementation plans for all 10 BGS and identified issues within them;
- Obtained and analyzed internal reviews to determine the:
 - type, number, and quality of reviews conducted per Region or ADO;
 - status of recommendations; and
 - whether the reviews were formal or informal; we defined informal reviews as those that lacked documentation, a corrective action plan/follow-up, or an explanation of the scope and methodology.
- Obtained all single audits issued for each State within our sample; identified findings issued or not corrected from fiscal year 2014 through fiscal year 2018; and determined whether the findings were material, significant, repeated/longstanding, or involved the SF-425 or SF-271.

To assess the reliability of the data we used for our review, we reconciled the list of individual projects FAA provided for each block grant with BGS-provided data, and we compared that list to FAA's annual SBGP reports and grant agreements. For information on projects we could not validate, we reached out to FAA Headquarters, Regional Offices, and ADOs.

Exhibit B. Organizations Visited or Contacted

FAA Facilities

FAA Headquarters
FAA Central Region Office
FAA Great Lakes Region Office
FAA Southern Region Office
FAA Southwestern Region Office
FAA Chicago Airports District Office (ADO)
FAA Detroit ADO
FAA Memphis ADO
FAA Texas ADO

State Aeronautical Organizations

Michigan Department of Transportation – Aeronautics
Missouri Department of Transportation – Aviation Division
North Carolina Department of Transportation – Department of Aviation
Texas Department of Transportation – Aviation Division
Wisconsin Department of Transportation – Bureau of Aeronautics

Aviation Industry Trade Organizations

Aircraft Owners and Pilots Association
Airports Council International – North America
National Business Aviation Association

Exhibit C. List of Acronyms

ADO	Airport District Office
AIP	Airport Improvement Program
ACIP	Airports Capital Improvement Plan
BGS	Block Grant State(s)
CFR	Code of Federal Regulations
DOT	Department of Transportation
eLMS	Electronic Learning Management System
FAA	Federal Aviation Administration
GAO	Government Accountability Office
MOA	Memorandum of Agreement
NPIAS	National Plan of Integrated Airport Systems
NPR	National Priority Rating
NCDOT	North Carolina Department of Transportation
OIG	Office of Inspector General
OMB	Office of Management and Budget
OST	Office of the Secretary of Transportation
SBGP	State Block Grant Program
SOAR	System of Airports Reporting
U.S.C.	United States Code

Exhibit D. OIG Financial Findings (in Millions)

OIG finding	Type	Criteria	Actual \$	Projected \$
16 projects were not included on any ACIP.	Lack of internal controls	AIP Handbook states that ADOs and Regional Offices should provide initial consideration for all projects seeking AIP funding and include them in the ACIP.	\$4.9	\$87.9
23 projects were missing an NPR score.	Lack of internal controls	ACIP 5100.39A states that the FAA must perform a national analysis to create NPR thresholds in accordance with its priority ratings.	\$6.3	\$108.5
An FAA reimbursement to a BGS was based on insufficient supporting documentation.	Unsupported costs	FAA's <i>AIP Handbook</i> and <i>AIP Grant Payment and Sponsor Financial Reporting Policy</i> provide specific requirements for the submission of supporting documentation for all payment requests.	\$5.7	OIG could not determine the universe for unsupported costs because FAA does not track SBGP expenditures.
FAA used AIP Trust funds to pay Federal liability interest to the Michigan program and other BGS.	Unsupported costs	The Cash Management Improvement Act of 1990 requires States to draw Federal funds exactly when they are needed and Federal programs to be "interest-neutral." 31 CFR Part 205 requires a State to describe and document liability claims greater than \$5,000.	\$0.027	OIG could not determine the universe for Federal liability interest payments because FAA does not track SBGP expenditures.
11 purchase orders remained opened longer than 4 years.	Funds put to better use	AIP Handbook states grants should not be open for more than 4 years from when the grant was issued.	\$115.2	\$232.9
24 grants lacked documentation to substantiate reimbursement claims or reconcile final disbursements.	Unsupported costs	SBGP Advisory Circular requires States to submit grant applications and Federal financial reports that summarize grant expenditures and the status of project funds.	\$165.2	N/A
2 purchase orders had incomplete data.	Unsupported costs	2 CFR Part 200 requires FAA to collect information required by the Federal award.	\$5.7	\$59.6
Totals			\$303.02	\$488.98

Source: OIG analysis

Exhibit E. Status of Recommendations from the 2013 SBGP Review

#	Delta recommendations	OIG findings	Status
1	FAA should have a standard MOA that includes...a non-primary entitlement (NPE) subgrant obligation goal, grant closeout goal, an annotated matrix with program responsibilities, reporting requirements, a list of regulations and orders..., a policy for funding revenue-generating facilities, flexibilities that States have with carried over and recovered funds, and documentation requirements for funding administrative costs of projects.	Although FAA has been working to update and standardize the MOA used by all BGS since 2016, the Agency has yet to complete this action. Most recently FAA has worked with States to address concerns about changes in the roles and responsibilities, such as who performs certain airspace safety reviews. Although FAA planned to issue the current version to States by March 31, 2020, delays have persisted.	In progress
2	FAA should use a standard grant agreement that includes a reference to the MOA, clear requirements for obligating NPE funds within 4 years, allows States to convert carryover funds, and provides a detailed listing of NPE amounts for specific airports.... Separate grant agreements [should] be issued for discretionary funds to help with accountability and tracking of fund types.	FAA has implemented a standardized grant agreement; however, this did not occur until 2020. We found no evidence that ADOs were required to use a particular form prior to that, and we noted variances among the grant agreements at each of the 5 States in our sample.	In progress
3	FAA should supplement the MOA with additional guidance for best practices and requirements for program and financial management.	According to FAA, supplemental guidance was provided to all BGS through webinars, training, and monthly teleconferences. However, BGS we visited indicated they haven't received adequate training on the program's guidance and are still struggling to clearly understand program requirements.	Partially resolved
4	FAA should promote the use of State internal and external checklists to help ensure States, sponsors, and consultants meet Federal requirements of the program and projects.	The SBGP Advisory Circular recommends that States use internal and external checklists to help ensure important requirements are met. Further, the State may create external project checklists for sponsors and consultants that reflect State processes and requirements. Some States have developed better checklists than others. For example, North Carolina includes a number of checklists and guidance on its website, while other States—such as Texas—do not provide any guidance to sponsors.	Resolved

#	Delta recommendations	OIG findings	Status
5	Encourage States to issue design-only subgrants where it makes sense to help expedite start of construction with the next grant.	The SBGP Advisory Circular lists several conditions that impact the pace of block grant expenditures and, thus BGS financial drawdowns. FAA encourages States to adopt practices and to minimize the impact of conditions, such as an SBGP State reluctant to issue subgrants for project design only. Subgrants for design enable the State and its airports to start construction as soon as block grants are received.	Resolved
6	States should make affirmative statements at block grant closeout that they have not approved any modifications to standards other than those approved by FAA.	We did not receive any evidence that FAA took specific actions to address this recommendation; however, we identified none of the 11 closed-out grants that we reviewed included the statement.	Not resolved
7	FAA and Missouri, Tennessee, and Texas should review these States' subgrant approval processes and search for ways to reduce the time between the issuance of block grants and expenditure of funds.	FAA gives each State monthly reports that illustrate expenditure rates in comparison with FAA targets and through monthly teleconferences regularly communicates the need for focused attention on issues such as grant expenditure rates. However, FAA did not have direct, independent conversations with BGS regarding this issue. Instead, FAA encouraged States to work directly with their respective ADOs to address administrative and implementation issues.	Partially resolved
8	Provide all States with access to FAA's automated review system, Obstruction Evaluation/Airport Airspace Assessment (OE/AAA) to enable them to better manage their airport airspace responsibilities.	FAA has indicated that it will provide BGS with access to OE/AAA training; officials at 3 of 5 BGS we visited said they lack of training or knowledge in this area. In addition, the National Association of State Aeronautical Organizations (NASAO) formally contacted FAA to raise concerns about access to OE/AAA and applicable training.	Partially resolved
9	FAA should continue working with State staff to help them determine what program management training is needed and continue helping to provide that training.	According to FAA, 160 BGS officials received access to eLMS (now DOTLearns) and are continuously informed about program management training. However, officials at all 5 of the States we visited said that they either don't have access to the training they need or the training provided is not enough.	Partially resolved
10	FAA should expedite the land-release process as much as possible and keep States informed about the status.	We found no evidence that FAA has taken any actions to address this issue.	Not resolved

#	Delta recommendations	OIG findings	Status
11	FAA should work closely with Tennessee to ensure the State's staff understand their responsibility to make environmental findings on projects.	According to FAA, BGS are encouraged to work with Regional Offices to address programmatic issues. We did not find any evidence that Tennessee BGS officials had issues understanding their responsibilities for environmental reviews.	Resolved
12	States should continue to have some degree of in-house separation of powers and require multiple approving authorities when they contract directly for professional services and construction services.	The SBGP Advisory Circular requires each BGS to submit an implementation plan assuring the FAA that (1) State program processes are clear, transparent, and ethically sound and (2) the State manages AIP funds with effective financial controls. Based on the implementation plans we reviewed, this no longer seems to be an issue.	Resolved
13	Formalize a requirement for States to obligate the NPE funds within 4 years; include this in MOAs and block grant agreements. Empower the States to set a drop-dead date for sponsors to declare use of NPE, after which the State can shift the funds to other airports—within the 4 years.	The SBGP Advisory Circular requires block grants to be completed within 4 years, regardless of fund type, unless the FAA authorizes a written extension. We found the same period of performance in new grant agreements starting with fiscal year 2020 block grants and in the draft MOA. The Advisory Circular also provides guidance on transferring entitlement funds.	Resolved
14	Require States to maintain an NPE status spreadsheet showing the use of each airport's NPE funds as well as those that have not yet been obligated within a subgrant.	The SBGP Advisory Circular says that the State must manage AIP funds with effective financial controls so that it knows the status of each block grant at all times. Specifically, the State grant applications must include the breakdown of requested funds by airport, project, and fund type. At each of the 5 States we reviewed we found an NPE status spreadsheet with allotments by airport and funds remaining within subgrants.	Resolved
15	Formalize a requirement to close all block grant agreements within 120 days of their completion and within 5 years of issuance.	The SBGP Advisory Circular requires FAA block grants to be completed within 4 years. Unless FAA authorizes a written extension, the State must submit all project closeout documentation and liquidate (pay off) all obligations no later than 90 calendar days after the end of the period of performance. However, 11 of the 37 grants in our sample were not closed within their periods of performance.	Partially resolved
16	Provide clear guidance to States regarding how funds recovered from completed subgrant projects can be used. Similarly, provide guidance for the interim use of deferred NPE funds.	The SBGP Advisory Circular allows BGS to reuse entitlement and State apportionment funds that were included in subgrants and later recovered from a completed airport project. However, these funds must still be expended before the block grant is closed. The State must return any recovered discretionary funds to FAA that are not related to the specific project(s) identified in the grant. We did not find any issues related to recovery of entitlement funds during our review.	Resolved

#	Delta recommendations	OIG findings	Status
17	Issue FAA discretionary grants separate from NPE and State apportionment grants.	The SBGP Advisory Circular requires block grants with discretionary funds to be issued separately from the other fund types. During our review, we did not identify any issues pertaining to the separation of discretionary and entitlement grants.	Resolved
18	FAA should conduct periodic program reviews—e.g., environmental, project selection (hangars), construction standards, etc.	In 2018, FAA developed a draft SBGP Audit Plan in coordination with FAA Regional Offices. However, the plan remains in draft form, and FAA has not conducted a formal review of the SBGP and most BGS since 2013. An FAA official said the Agency will implement the audit plan when it issues the new MOA and include it in the Advisory Circular.	In progress
19	FAA should review its policy regarding the funding of revenue-producing facilities with each Block Grant State.	FAA's policy on revenue-producing projects is outlined in the AIP Handbook, appendix –D, and the SBGP Advisory Circular, section 4.2.4. The policy states that only NPEs may be used for revenue-producing facilities such as hangars, aircraft wash racks, and fuel farms (provided that the airport has satisfied its airside needs). Despite FAA's emphasis on prioritization of airside needs, we found that 6 of 10 BGS funded revenue-producing facility projects between 2014 and 2018.	Resolved
20	FAA should identify the specific information it needs to oversee the program, and States should maintain controls for providing reports to FAA.	FAA used SBGP implementation plans States submitted in fiscal year 2017 to assess BGS capabilities. However, we found that many of the plans had scant information, often a single word. Some BGS raised a number of concerns—such as staff retention, closing out grants in a timely manner, and project prioritization—that FAA has not adequately addressed.	Partially resolved
21	FAA should have an ongoing program to oversee consistency, continue looking for best practices, and in general promote a partnership with the Block Grant States.	FAA says that it provides supplemental guidance, policy updates, and training through the FAA Academy. However, officials at 3 of the 5 States we visited said they do not have adequate training and often cannot attend in-person training due to cost.	Partially resolved
22	Consider periodic block grant news or conference calls (through NASAO). Promote positive partnerships and open communication.	In 2016, FAA initiated monthly teleconferences with BGS to provide guidance, share lessons learned, and discuss issues related to the SBGP. Officials at the States we visited indicated that the monthly teleconferences are useful and have resulted in program improvements.	Resolved

Exhibit F. Major Contributors to This Report

NELDA SMITH	PROGRAM DIRECTOR
DOMINIQUE LIPSCOMB	PROJECT MANAGER
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Appendix. Agency Comments



Federal Aviation Administration

Memorandum

Date: January 25, 2021

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

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: FAA's Oversight of the AIP State Block Grant Program

A handwritten signature in blue ink, appearing to read "Clay Foushee".

The Federal Aviation Administration (FAA) has successfully operated the Airport Improvement Program (AIP) State Block Grant Program (SBGP) for 31 years. Over the last 10 years, the FAA has awarded approximately \$3.4 billion per year in AIP entitlement and discretionary funds for eligible and justified projects. Annual AIP funding includes support for the SBGP, which provides block grant States the latitude to develop their own project funding priorities as long as they comply with the statutory requirements.

We have reviewed the draft report and offer the following points:

- The FAA provides flexibility for State Block Grant States (SBGS) to select projects that meet the AIP program requirements and align with their State priorities.
- The FAA's Advisory Circular directs States to incorporate all grant terms and conditions into all sub-recipient agreements.
- The FAA addresses compliance gaps and takes corrective action when gaps are identified.
- The FAA made available its internal training electronic learning management system to non-Federal personnel so that they can receive the same training available to Federal personnel involved in administering AIP funds, in various formats.

The FAA concurs with the recommendations 1-6 and 8-12, as written. FAA partially concurs with recommendations 7 and 13 and proposes alternative actions to address those recommendations. With regard to recommendation 7, FAA does not agree to revise guidance for all AIP stakeholders because the focus of OIG's audit was only on SBGP States, not the full AIP program and all States. As an alternative, FAA agrees to revise guidance for all SBGP States to reinforce the required sequence in which different types of AIP funds are to be expended.

For recommendation 13, FAA will implement its procedures for sharing resolutions of Single Audit Report recommendations with the Airport District Offices and Regional Offices that oversee the SBGP. The FAA intends to meet the milestones below for compliance with the draft OIG recommendations:

Recommendations	Target Action Dates
1, 2, 4, 5, 12	June 30, 2021
7, 8, 9, 11	September 30, 2021
3, 6, 10, 13	December 31, 2021

We appreciate this opportunity to offer additional perspective on the OIG draft report. Please contact H. Clayton Foushee at Clay.Foushee@faa.gov if you have any questions or require additional information about these comments.

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