**U.S. DEPARTMENT OF TRANSPORTATION**

**OFFICE OF INSPECTOR GENERAL**

# Improvements Are Needed To Strengthen FAA's Oversight of eInvoicing and AIP Grant Payments

**FAA**

# Improvements Are Needed To Strengthen FAA's Oversight of eInvoicing and AIP Grant Payments

*Self-Initiated*

**Federal Aviation Administration | FI2018101 | September 12, 2018**

## What We Looked At

In 2012, the Department of Transportation (DOT) implemented electronic invoicing (eInvoicing) for grant invoice processing across the Department. While DOT developed standardized eInvoicing training at the department level, individual Operating Administrations developed their own eInvoicing guidance and processes for grantees submitting payment requests. We assessed the Federal Aviation Administration's (FAA) policies, procedures, and oversight for eInvoicing in the Airport Improvement Program (AIP). The AIP is one of DOT's largest grant programs, providing approximately $3 billion a year to sponsors (grantees) including commercial and general aviation airports to support projects that improve safety and efficiency. We tested AIP payments to grantees to determine if they met FAA's eInvoicing requirements. Our objectives were to (1) evaluate FAA's implementation of eInvoicing in AIP and (2) assess whether AIP grant payments were supported and valid.

## What We Found

The guidance and internal control procedures FAA developed for eInvoicing were not always followed. FAA developed a risk-based approach to oversight of AIP grantees and their payments, yet FAA staff responsible for oversight did not always adhere to the control procedures. Additionally, AIP grantees requested and were paid millions of dollars without complying with FAA's eInvoicing documentation requirements to support payment requests. Using statistical sampling, we estimate that about $751 million (12.5 percent) of the $6 billion in AIP payments during fiscal years 2015 and 2016 were non-compliant with FAA eInvoicing supporting documentation requirements. Finally, we found that AIP grant payments were not always fully supported and valid. We identified questioned costs totaling about $1 million because grantees did not always maintain complete and valid support, funds were paid in excess of the allowable Federal share, and a grant agreement was not amended when applicable.

## Our Recommendations

Of our eight recommendations to improve implementation of eInvoicing and communicate policies to grantees and FAA Regional and Airport District Office staff, FAA concurred with seven and partially concurred with one.

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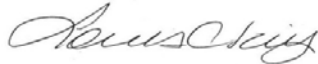# Contents

# Memorandum

Date:          September 12, 2018

Subject:       Improvements Are Needed To Strengthen FAA's Oversight of eInvoicing and AIP
               Grant Payments | Report No. FI2018101

From:          Louis King
               Assistant Inspector General for Financial and Information Technology Audits

To:            Federal Aviation Administrator

On March 15, 2012, the Department of Transportation (DOT) updated its financial systems, processes, and reporting by implementing electronic invoicing (eInvoicing) for grant invoice processing across the Department. The initial phase of the effort included DOT grant programs, such as the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP). AIP is one of DOT's largest grant programs, providing approximately $3 billion a year to sponsors (grantees) including commercial and general aviation airports to support projects that improve safety and efficiency. In fiscal year 2018, AIP was provided an additional $1 billion for airports with the greatest need for infrastructure improvements, particularly targeting small and rural airports.

While DOT developed standardized eInvoicing guidance at the department level, individual Operating Administrations (OA) developed their own eInvoicing program guidance and business processes for grantees when submitting payment requests. In particular, FAA issued its "AIP Grant Payment and Sponsor Financial Reporting Policy" (policy), outlining requirements for submitting, reviewing, and approving grant payment requests and financial reporting requirements for grantees. The effectiveness of FAA's eInvoicing implementation and guidance has never been evaluated by an OIG audit. We initiated this audit to (1) evaluate FAA's implementation of eInvoicing in AIP and (2) assess whether AIP grant payments were supported and valid.

To conduct our work, we interviewed FAA personnel at FAA headquarters, Regional and Airport District Offices (RO/ADO), and FAA's Enterprise Services Center (ESC) on policy and procedures for submitting, reviewing, and processing AIP payments via eInvoicing. We also surveyed 37 AIP grantees and performed 12 site visits to determine the extent to which FAA communicates guidance and

provides program oversight for payment requests and eInvoicing. To evaluate FAA's implementation of eInvoicing, we selected and tested a statistical sample of 83 AIP grantee payment requests totaling $102 million, between October 1, 2014, and September 30, 2016, which allowed us to project the total amount of AIP payment requests subsequently paid during that time that did not comply with FAA policy. During this 2-year period, FAA paid out about $6 billion to more than 1,500 AIP grantees program-wide. We conducted this audit in accordance with generally accepted Government auditing standards. Exhibit A details our scope and methodology.

We appreciate the courtesies and cooperation of Department of Transportation representatives during this audit. If you have any questions concerning this report, please contact Louis King, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407.

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

# Results in Brief

## FAA's internal controls procedures for eInvoicing were not always followed.

For example, FAA's RO/ADO staff did not always follow FAA's risk-based policy for overseeing AIP grantees and eInvoicing.[1] As a result, some grantees categorized as moderate risk were able to request and receive $6.6 million in payments without undergoing the required FAA reviews. Instead, the payments were automatically approved.[2] Additionally, FAA policy requires all payment requests submitted via eInvoicing to include a pre-determined level of supporting documentation, and the policy allows lower risk grantees to provide only high-level information to satisfy eInvoicing requirements. Based on our statistical sample testing of approximately $102 million in AIP payments made during fiscal years 2015 and 2016, we estimated that about $751 million,[3] or 12.5 percent, of the $6 billion of the corresponding payment requests were submitted to eInvoicing without the required documentation. These errors resulted from weak system controls, which allowed grantees to submit payment requests without the required documentation. Incomplete documentation or insufficient review of submitted documentation can increase the risk that improper payments will occur and go undetected.

## We identified about $1 million in questionable costs among the $27.6 million in grantee payments for which we reviewed supporting documentation maintained by the grantees.[4]

For example, we identified $174,124 in AIP payments to grantees that lacked sufficient documentation to support and validate payment amounts. We also found that nine grantees requested and received a total of $740,212 in AIP payments for costs in excess of their grants' allowed Federal share. These issues occurred primarily due to unclear requirements in FAA's policy or grantees' unfamiliarity with the policy. Lastly, we found one grantee with payments totaling $79,324 where FAA approved payment for work that was not eligible for reimbursement under the executed grant agreement. According to FAA's AIP Handbook,[5] given the nature of these payments, FAA could have amended the

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[1] FAA policy allows lower risk grantees to provide only high-level information to satisfy eInvoicing requirements.

[2] These payments undergo "auto-approval" which entails a system approval (i.e., without the intervention or review of an FAA employee) once the payment is successfully submitted in eInvoicing.

[3] Our $751 million estimate has 90-confidence limits ranging from $368,933,038 to $1,133,009,166.

[4] It is the grantee's responsibility to maintain all original source documentation that supports grant payments from FAA to the grantee and payments made by the grantee for the project.

[5] FAA Order 5100.38D.

grant agreement to make the work eligible. However, FAA RO/ADO staff either misinterpreted the policy or elected to not take action and apply the necessary level of oversight required in such a situation. As a result, FAA is at increased risk that grant funds will be improperly used for unapproved projects.

We are making a series of recommendations to assist FAA with improving its implementation of eInvoicing and communicating its policies to grantees and FAA RO/ADO staff.

# Background

In 2012, DOT announced new requirements and procedures for grantees to request and receive payments electronically via Delphi's eInvoicing system.[6] The electronic payment submission, review and approval process allows for real-time monitoring of payment status and minimizes time and expenses associated with paper-based payment administration. FAA, along with the Pipeline and Hazardous Materials Safety Administration and the Research Innovative Technology Administration (RITA)[7] were the first OAs to convert their grant payment processing to Delphi's eInvoicing.

DOT's Office of the Secretary (OST), Office of Financial Management (B-30) is the Delphi system owner. However, FAA's ESC manages Delphi's daily operations. In addition to managing all accounting-related operations specific to eInvoicing, ESC is also responsible for setting up grantee representative accounts in the system, managing changes to existing accounts, and operating the Helpdesk.

FAA's Office of Airports is responsible for the administration and oversight of AIP grants and payments to AIP grantees. AIP awards grants for "planning, development, or noise compatibility projects that are at or associated with public-use airports that are included in the National Plan of Integrated Airport Systems." Grantees are public agencies (e.g., states, counties, cities, airport authorities, etc.) and in some cases, private owners and entities.[8] In particular, RO/ADOs review airport projects to determine if they meet eligibility and justification requirements to be funded by AIP grants. RO/ADOs are responsible

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[6] The eInvoicing process consists of online payment requests submitted by AIP grantees via an Oracle-based application (i.e., iSupplier), which interfaces with Delphi, the Department's accounting system.
[7] With the passage of Public Law No. 113-76, Consolidated Appropriations Act, 2014 in January 2014, Congress transferred all RITA programs to the Department's Office of the Assistant Secretary for Research and Technology (OST-R), which is part of OST, in order to provide opportunities for increased research collaboration and coordination across the Department.
[8] A public-use airport is an airport open to the public that also meets the following criteria: publicly owned, or privately owned but designated by FAA as a reliever, or privately owned but having scheduled service at least 2,500 annual enplanements.

for grant oversight to ensure grantees are adhering to FAA and Federal program requirements throughout the life of the grant. Lastly, RO/ADOs monitor and assess grantee risk ratings, review and approve grantee payment requests, and close out completed grants. During fiscal years 2015 and 2016, FAA made AIP payments to more than 1,500 grantees nationwide.

AIP grantees are required to submit payment requests based on costs incurred by the grantee. In general, this means costs that have been billed to and paid by the grantee, and the payment amount is supported by documentation (e.g., invoices, billing statements, etc.). Grantees are required to submit all payment requests electronically via Delphi's eInvoicing. Exemptions to electronic payment requests can only be granted by DOT officials and are done so on a very limited basis. FAA's policy requires grantees to provide supporting documentation with each payment request. The required level of detail in the supporting documentation is determined by a grantee's payment risk level (as defined in table 1). All AIP grantees regardless of payment risk level are required to provide specific summary level information applicable to each payment request.

## Table 1. AIP Grantee Approval Process Assignment Requirements

| Grantee Payment Risk Level | eInvoicing Approval Process |
|---|---|
| **Nominal/Low**<br>Pose minimal risk of improper use of grant funds. | **Auto-Approval**<br>No RO/ADO approval required with the exception of payment requests within the final 10 percent of the grant award amount. |
| **Moderate**<br>Has a documented record of deviations, such as finding a lack of documentation during payment request; repeated grant drawdown irregularities. | **Manual Approval**<br>Approval hierarchy must include at least one level of RO/ADO approval. |
| **Elevated**<br>Has a blatant or reckless violation of a grant agreement; finding of waste, fraud, or abuse. | **Manual Approval**<br>Approval hierarchy must include at least two levels of RO/ADO approval, of which one level must be conducted by a RO/ADO manager. |

Source: AIP Grant Payment and Sponsor Financial Reporting Policy, December 31, 2015

# FAA Staff and AIP Grantees Did Not Follow FAA's eInvoicing Oversight Policy in Multiple Instances

FAA has issued eInvoicing policy for AIP grants, but the Agency's overall implementation leaves the program at risk for improper payments. We found that FAA RO/ADO staff did not always adhere to FAA's eInvoicing risk-based policy for oversight of eInvoicing. Additionally, while most AIP payment requests we reviewed complied with eInvoicing requirements, AIP grantees requested and were paid millions of dollars without submitting required supporting documentation.

## FAA RO and ADO Staff Did Not Always Adhere to FAA's eInvoicing Risk-Based Policy for Oversight of Payment Requests

We found multiple instances where FAA did not comply with the risk-based oversight procedures it developed for eInvoicing submissions. FAA's policy outlines RO/ADO staff responsibilities and requirements for assessing and assigning risk ratings, monitoring changes to a grantee's risk rating, and approving AIP payment requests, according to a grantee's level of risk.

However, we noted the following instances of non-compliance:

- Each AIP grantee's assigned risk level pertains solely to their risk associated with submitting grant payments. FAA informed OIG that once a grantee's risk level is evaluated, RO/ADO staff is required to enter the rating in the System of Airports Reporting, the system used to manage and track grant-related decisions. We identified 23 grantees whose risk ratings were not recorded.

- FAA's policy defines the level of RO/ADO staff review and oversight of individual payment requests. Unlike nominal risk grantees, whose payment requests are automatically approved and paid once they are submitted in eInvoicing, moderate and elevated risk grantees' payment requests require manual review and approval by FAA staff. However, we found that three grantees[9] with moderate risk ratings made payment

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[9] Grantee risk ratings can be changed by RO/ADO program managers when deemed necessary. As a result, the number of grantees in each risk level will vary. At the start of fiscal year 2015 (October 1, 2014), FAA reported 61 moderate risk rated grantees. At the conclusions of fiscal year 2016 (September 30, 2016), FAA reported 70 moderate risk rated grantees.

requests in eInvoicing and were paid a total of $6.6 million, during fiscal years 2015 and 2016, without being reviewed or manually approved by an FAA official prior to payment.[10]

- FAA policy also outlines the level of supporting documentation, based on the grantee's payment risk level, to be provided with each payment request. While nominal risk rated grantees are required to provide only a summary listing of invoices included in each payment request, moderate and elevated risk rated grantees also must submit copies of the applicable invoices. However, we found that 68 payment requests, totaling more than $17.5 million, requiring manual approval were approved despite a lack of required documentation (i.e., invoices and summary of invoices) in eInvoicing. FAA informed OIG that 53 of the 68 payments (approximately 78 percent) occurred in 2 of FAA's 9 regions.

- FAA's policy identifies a lack of supporting documentation with payment requests and repeated drawdown irregularities in eInvoicing as causes to raise a grantee's payment risk rating. However, this did not always happen. We found that 36 grantees submitted 10 or more payment requests and as many as 51 during fiscal years 2015 and 2016 without attachments as required by eInvoicing. Twenty of the 36 grantees did not submit an attachment with their payment requests 75 percent of the time or more. Seven of these 20 grantees did not submit an attachment with a single payment request. Although FAA policy requires RO/ADO staff to perform quarterly reviews of AIP grantee payments and adjust risk ratings, if they deemed it necessary, we found that only 6 of the 36 grantees were raised above a nominal risk rating in fiscal year 2017. It should be noted that ADOs are not required to raise a grantee's risk rating solely due to lack of documentation. However, based upon FAA's stated policy we believe this would have been a reasonable course of action given the extent of non-compliance that persisted with these grantees.

These issues occurred because FAA staff either misinterpreted the policy or elected to not take action and apply the necessary level of oversight required. For example, we found instances when FAA did not consistently apply FAA criteria and increase a grantee's risk rating when payment requests repeatedly lacked the required documentation.

Not properly assessing grantee's payment risk levels as well as not obtaining or reviewing the appropriate documentation for moderate or elevated risk level

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[10] It is the responsibility of the RO/ADO manager to ensure approval hierarchies for eInvoicing are current and accurate, and approval status is updated in accordance with FAA policy. For moderate and elevated grantees that require manual approval, assigned RO/ADO will receive an email and staff must review documentation in eInvoicing, prior to approval.

grantees diminishes FAA's ability to focus its internal control efforts on higher risk grantees, resulting in an increased likelihood that fraud, waste, abuse, or other improper payments will occur and not be detected in a timely manner.

## AIP Grantees Requested and Were Paid Millions of Dollars Without Complying With eInvoicing Documentation Requirements

To evaluate FAA's implementation of eInvoicing, we focused specifically on grantee compliance with the documentation requirements necessary at the time a request is made and tested a statistical sample of 83 AIP payments totaling approximately $102 million made to grantees during fiscal years 2015 and 2016. While most AIP payment requests applicable to these 83 payments complied with eInvoicing requirements, we found that 13 payment requests, including 10 disbursements and 3 credit memos, did not include the required supporting documentation prior to payment. Exhibit C provides additional details on these 13 payment requests.

Using statistical sampling, we estimate that about $751 million, or 12.5 percent,[11] of the $6 billion in payments during fiscal years 2015 and 2016 were non-compliant with FAA eInvoicing supporting documentation requirements. Specifically, grantees provided either insufficient or no documentation to support the payment request. For example:

- Eight payments, totaling $8,163,506, were made *without any supporting documentation* to support the request in the eInvoicing system at the time of payment. These findings projected to $496,662,800, or 8.3 percent.[12]

- Five payments, totaling $4,775,902, were made with *incomplete supporting documentation* to support the request in the eInvoicing system at the time of payment. These findings projected to $254,308,302, or 4.2 percent.[13]

FAA's policy requires all grantees to provide documentation to support a payment request in the form of a file attachment or attachments. The level of supporting documentation required is determined by a grantee's payment risk level (see table 2).

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[11] Our $751 million estimate has 90-confidence limits ranging from $368,933,038 to $1,133,009,166.
[12] Our $497 million estimate has 90-confidence limits ranging from $177,505,847 to $815,819,753.
[13] Our $254 million estimate has 90-confidence limits ranging from $23,538,704 to $485,077,899.

## Table 2. Grantee Required Documentation To Support AIP Payment Requests in eInvoicing

| Documentation Requirements (eInvoicing) | Grantee Nominal Risk Level | Grantee Moderate Risk Level | Grantee Elevated Risk Level |
|---|---|---|---|
| Invoice summary: A summary document generated by the grantee that includes the information for each Pay Application/Invoice, including but not limited to contractor name, invoice date, invoice number, amount billed, breakout of AIP and non-AIP participating costs, worksite name, and summary of services/materials billed | X | X | X |
| Contractor Pay Request including invoice(s) | | X | X |
| Grantee Certification Letter & Other Supporting Documentation: A letter from the Airport Director/Grant Signer that certifies that the billed services meet contract pricing and bill quantity requirements | | | X |

Source: FAA's AIP Grant Payment and Sponsor Financial Reporting Policy, December 31, 2015

Inadequate or missing supporting documentation was the result of multiple factors, including:

- weak system controls,
- grantee unfamiliarity with FAA eInvoicing policy, and
- insufficient training requirements for grantees.

In particular, we found that contrary to policy, the eInvoicing system allowed nominal risk level grantees to submit AIP payment requests and receive automatic approval and payment without supporting documentation.

In 2015, FAA took the initiative to work with DOT-OST to implement an electronic warning message in the eInvoicing system,[14] which was intended to alert grantees when no documentation was attached to a payment request. However, the warning message was not clear and did not specifically inform grantees when they did not have an attachment uploaded with their payment request and did not state that all payment requests must include supporting documentation attachments per FAA policy. Further, grantees can still submit the payment request regardless of whether supporting documentation was attached to the payment request. According to FAA, the warning message, which went live on December 3, 2015, reduced the rate of AIP payment requests received in eInvoicing without supporting documentation to 1 percent as of September 30,

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[14] OST B-30 is the Delphi system owner. FAA's ESC manages the Delphi's daily operations. B-30 noted that OAs can request OA-specific changes to Delphi.

2017. However, there has still been approximately $81 million in AIP payments that have been processed and paid without attachments since FAA implemented the warning message.[15]

FAA has also developed policy and online training for AIP grantees regarding the payment and invoice process, both of which outline the documentation requirements for submitting payment requests via eInvoicing. However, eInvoicing training is not identified in the policy, and it is not required in order for grantees to receive reimbursements.  More than 40 percent of the 37 grantees interviewed during this audit said they were unaware that eInvoicing training existed. Unless grantees are fully aware of what documentation is required for submission and adhere to those requirements, they will continue to request grant payments without fully supporting the requests in eInvoicing.

Inadequate or missing supporting documentation decreases FAA's ability to oversee grant payments and increases the risk that improper payments will occur and go undetected.

# Grant Payments Were Not Always Fully Supported and Valid

While most of the 262 AIP payments in our non-statistical sample[16] were supported and valid, we identified about $1 million in questioned costs. Specifically, we found that grantees could not provide adequate documentation to support payment requests, some AIP grantees were paid funds in excess of the allowable Federal share, and an AIP grant agreement was not amended when applicable. We estimate that about $102,323 of the questioned and unsupported costs identified in this audit are recoverable.[17] Exhibit D provides additional details on the $1 million we found in questioned costs.

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[15] Analysis based on data provided by an ESC representative on October 5, 2017. The $81.3 million summarizes pay requests made without supporting documentation between December 3, 2015, and September 30, 2017.

[16] These payments were selected for testing using various data analyses.

[17] We considered questioned costs recoverable if there was enough information to believe the payment should not have been paid to the grantee, and if we were unaware of any prior action of the grantee or FAA to return or recover the funds.

# Grantees Did Not Always Maintain Complete and Valid Support

We identified 7 AIP payments out of our non-statistical sample of 262, totaling $174,124, to grantees that lacked sufficient supporting documentation to validate payment amounts (see table 3).

Table 3. Grantee Payments Lacking Sufficient Documentation

| AIP Grantee | Number of Payments with Findings | Total Amount of Payments with Findings |
|---|---|---|
| Pennsylvania, Department of Transportation, Bureau of Aviation | 2 | $9,585 |
| Sarasota Manatee Airport Authority (FL) | 1 | $30,000 |
| Tri-County Airport Authority (FL) | 1 | $15,000 |
| Indian Wells Valley Airport District (CA) | 3 | $119,539 |
| **TOTALS** | **7** | **$174,124** |

Source: OIG analysis of grantee payments

These payments included grantee reimbursement without sufficient documentation (e.g., no invoice, incomplete invoices) to support the overall AIP payment request. For example:

- Pennsylvania DOT submitted a payment request and was paid to fund the Federal share of a $6,100 professional services invoice for the audit and preparation of an airport authority's financial statements and annual report. However, FAA's AIP Handbook states that audit fees are only eligible for reimbursement if they are tied directly to an AIP grant. FAA agreed that these costs were not eligible for reimbursement and should be recovered from the grantee.

- Sarasota Manatee Airport Authority (FL) submitted a payment request and was paid $366,169. However, when we requested invoice support for this payment, documentation was provided to support $336,169—$30,000 less than the payment amount.

- Tri-County Airport Authority (FL) submitted a payment request and was paid $15,000. We requested invoice support for this payment; however, no documentation was provided to support this payment.

FAA's AIP Handbook requires that grantees base payment requests for reimbursement on cost incurred (e.g., invoices, billing statements, etc.). While most grantees have a nominal risk rating and are not required to provide all of this documentation with submission of their payment requests, FAA's policy states that "pursuant to 49 U.S.C. 47107, it is the grantee's responsibility to maintain all original source documentation that supports grant payments from the FAA to the grantee and payments made by the grantee for the project." However, we found that FAA did not inform 13 of the 37 grantees we interviewed regarding the policy. If grantees are unable to provide documentation demonstrating that their payment requests are supported and valid, FAA cannot ensure these costs are eligible under AIP, putting the program at risk for improper payments.

# While Most Payments Were Valid, Some AIP Grantees Were Paid Funds in Excess of the Allowable Federal Share

We found that 41 of the 262 payments reviewed, totaling $740,212, exceeded the allowable Federal share of the applicable AIP grant payments (see table 4).

Table 4. Grantee Payments in Excess of Allowable Federal Share

| AIP Grantee | Number of Payments with Findings | Total Amount of Payments with Findings |
|---|---|---|
| Illinois Department of Transportation, Division of Aeronautics | 2 | $44,809 |
| City of Manila (AR) | 7 | $6,733 |
| State of Florida | 10 | $93,985 |
| Tri-County Airport Authority (FL) | 4 | $30,291 |
| City of Hobart (OK) | 3 | $1,347 |
| Oconee County (SC) | 2 | $1,124 |
| Newberry County (SC) | 5 | $86,551 |
| City of Atlanta (GA) | 7 | $454,322 |
| City of Lawton and Lawton Metropolitan Area Airport Authority (OK) | 1 | $21,049 |
| **TOTALS** | **41** | **$740,212** |

Source: OIG analysis of grantee payments

Grant agreements established between FAA and the grantee identify the percentage of eligible costs FAA will cover (Federal share) and the amounts specified for each purpose (e.g., planning, airport development or noise implementation, and land acquisition).

For example:

- Newberry County (SC) submitted five payment requests for AIP eligible project costs totaling $865,500. While the County was eligible to receive AIP funds to cover 90 percent, or $778,963, of project costs incurred, the County submitted payment requests and was paid for 100 percent, or $865,500, of the project costs, $86,551 more than it was eligible to receive.

- The State of Florida submitted 10 AIP payment requests and was paid for 100 percent of invoice amounts, despite the fact that Florida is eligible to receive payment for 90 percent of AIP eligible invoices. As a result, Florida received $93,985 more than it was eligible to receive for work in connection with these 10 invoices.

- Tri-County Airport Authority (FL) was also paid 100 percent of invoice amounts associated with four payment requests, despite the fact that it too was eligible to receive payment for 90 percent of AIP eligible invoices. As a result, Tri-County Airport Authority received $30,291 more than it was eligible to receive for work in connection with these four invoices.

- The City of Atlanta (GA) submitted seven payment requests totaling. $4,815,134, for payments to a contractor. Atlanta requested AIP payments for the invoice amounts, which included the amounts paid to the contractor for work completed, as well as the retainage. The retainage amounts were not immediately paid to the contractor, but deposited into a non-escrow account for payment at a later date. The AIP Handbook requires grantees either submit AIP payment requests for retainage when the funds are ready to be paid to the contractor or hold the retained portion of the invoice in an escrow account[18] until the retainage payments are to be paid to the contractor. Since the invoice retainage amounts were requests and held in a non-escrow account, Atlanta should have not requested and received the retainage portions of the invoices. The AIP funds, totaling $454,322, paid to Atlanta are payments in excess of the allowable Federal share.

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[18] When retainage is held in an escrow account, a third party will hold and disburse the escrow funds to the contractor under the conditions of the escrow; i.e., upon satisfactory completion of the work.

- The City of Manilla (AR) submitted seven payment requests, totaling $67,331, and was paid 100 percent of the invoice amounts, despite the fact that it was eligible to receive payment for 90 percent of AIP eligible invoices. As a result, the City of Manilla, AR, received $6,733 more than it was eligible to receive for work in connection with these seven invoices.

To assist grantees in the preparation of payment requests, FAA provides an example invoice summary in the appendices of its policy. Although not specifically stated in the policy, the invoice summary shows that AIP grantees can request up to the Federal share of the AIP eligible invoiced amounts. We reached out to FAA's Office of Airport Planning & Programming and were informed that it is FAA's requirement that payment requests will represent the Federal share of each eligible invoice amount, and the grantee must provide supporting documentation for the full eligible amount to justify the amount of the payment requested.

FAA policy requires that all grantees only request payment in the amount of allowable project costs that have been incurred. However, the policy does not specify a requirement to request only the Federal share percentage of project costs incurred, per each invoice. We were also informed by 8 of 37 grantees we interviewed (21 percent) that they were not aware of the requirement to request payment at the Federal grant share of AIP eligible project costs, at the invoice level. FAA agreed that the policy and available training could be updated to address requirements for billing at the Federal share.

When grantees continuously bill over and above the allowable Federal share at the invoice level, they are improperly using Federal funds. In such cases, Federal funds are paying for portions of invoices and projects that should have been funded by state or local funds.

## FAA Did Not Amend a Grant Agreement, as Required

Out of the $27.6 million in AIP payments reviewed, we found one grantee was paid $79,324 for AIP-eligible work that was not directly eligible for reimbursement under its grant agreement. A grant agreement describes the scope of projects funded by the grant and the dollar amounts specified for each purpose. For example, AIP grants are awarded for project planning, airport development or noise implementation, and land acquisition. According to the AIP Handbook, work outside the project scope is not allowed without processing an amendment to the grant. Amendments to increase grant funding are allowable if the sponsor makes the request in writing and fully documents the amount and justification.

We found that Newberry County (SC) billed for work not specifically related to the initial grant's project description. FAA issued a $1 million grant for airport apron rehabilitation and expansion. Subsequently, FAA approved the grantee to use just over $79,000 in grant funds for runway rejuvenation, crack sealing, and pavement remarking, but did not amend the agreement. Without an amendment, the $79,324 was ineligible for reimbursement.

It is the RO/ADO's responsibility to review project-related documentation[19] to ensure funds are used in accordance with grant conditions. The example we identified demonstrates that RO/ADO staff may not have a clear understanding of when situations warrant grant amendments to expand project descriptions in the grant agreement.

When grantees bill for charges outside a grant agreement's scope, Federal funds are at an increased risk of being used for unintended purposes.

# Conclusion

FAA's AIP annually paid approximately $3 billion in grants for the planning and development of public-use airports nationwide. For fiscal year 2018, this amount is expected to increase to $4 billion. Administering these grant funds to more than 2,000 grantees nationwide presents a challenge for FAA and its RO/ADO program managers. FAA must maintain clear and adequate policy that establishes controls to provide reasonable assurance that AIP payments are supported and requested in accordance with regulations and guidelines. While FAA grantees have the responsibility to ensure AIP funds provide maximum benefit to federally funded aviation projects and that all project costs are supported, FAA must work closely with grantees to ensure they understand and adhere to its policy and eInvoicing requirements.

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[19] Project related documentation includes payment request support and closeout packages.

# Recommendations

To assist FAA with improving oversight and ensuring validity of payment requests via eInvoicing, we recommend that the Federal Aviation Administrator:

1. Develop and implement controls for periodically verifying that RO/ADO program managers are implementing FAA's policy for (a) assigning and monitoring grantee risk ratings, as required; (b) performing manual approvals, when required; and (c) performing quarterly reviews and, when applicable, modifying grantee risk ratings according to FAA guidance.

2. Formally request that OST Delphi system managers modify the wording of the warning message to AIP grantees to specifically state when documentation has not been attached to payment requests and that such documentation is required by FAA policy and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERA).

3. Formally request that OST Delphi system managers implement a function that denies AIP payments to grantees that do not provide the required supporting documentation at the time of the payment request.

4. Update FAA policy to include the availability of existing Delphi eInvoicing training and communicate the policy revision to all AIP grantees.

5. Develop and implement a plan to recover the $102,323 in questioned and unsupported costs identified in this report.

6. Communicate to AIP grantees FAA's policy requirement for maintaining all original documentation that supports grant payments and confirm that all grantees have acknowledged this requirement.

7. Update AIP payment policy to include a specific requirement that grantees submit payment requests on invoiced costs incurred up to the allowable Federal share, and communicate the revision to all AIP grantees.

8. Improve existing training for RO/ADO program managers to follow the AIP Handbook requirements for amending grant agreements when expanding project descriptions.

# Agency Comments and OIG Response

We provided FAA with our draft report on July 16, 2018. On August 10, 2018, FAA provided preliminary technical comments and additional documentation for OIG review. We reviewed these comments and documentation along with information FAA previously provided during the audit. Where appropriate, we revised our report.

We received FAA's formal response on August 14, 2018, which is included at Appendix B. FAA concurred with recommendations 1, 2, 3, 4, 6, 7, and 8 and provided appropriate planned actions and completion dates. FAA partially concurred with recommendation 5 to develop and implement a plan to recover unsupported costs for AIP grantees. We disagree with FAA's estimate that approximately $50,000 of the $174,000 in questioned costs we identified in our draft report are recoverable, as opposed to our revised estimate of $102,323. However, FAA's plan to notify the AIP grantees in question that they must return the funds to FAA by December 31, 2018, meets the intent of this recommendation. Therefore, we consider recommendation 5 as resolved but open until FAA completes its planned actions.

# Actions Required

We consider all eight recommendations resolved but open pending completion of the planned actions.

# Exhibit A. Scope and Methodology

We conducted our work from May 2017 to July 2018 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether FAA provided adequate oversight of AIP grant funds and eInvoicing, we (1) evaluated FAA's implementation of eInvoicing in AIP and (2) assessed whether AIP grant payments were supported and valid. To address our audit objectives, we reviewed AIP payment request documentation and supporting documentation (e.g., invoices) for payments to grantees during fiscal years 2015 and 2016. We also contacted, interviewed, or surveyed representatives from: FAA's Office of Airports, Washington, DC; FAA Regional and District Offices; AIP grant recipients nationwide; representatives from FAA's Enterprise Services Center, Oklahoma City, OK; and DOT-OST representatives responsible for the implementation of eInvoicing, departmentwide.

To evaluate FAA's implementation of eInvoicing, we first determined whether Regional and Airport District Offices representatives were properly implementing their risk-based payment request oversight policy. In particular, we looked at each AIP grantee's risk rating, provided by FAA, (i.e., nominal/low, moderate, or elevated) as of October 1, 2014, and October 1, 2016. We used this information in conjunction with an iSupplier universe file—for fiscal year 2015 and 2016 payments—provided by a representative from the Enterprise Services Center. We compared this AIP grantee risk rating and iSupplier file to determine whether all grantees receiving payment during the audit scope time period were assigned a risk rating. We also used the iSupplier file payment requests to establish a reasonable baseline and compared grantees with 10 or more unsupported "paid" requests to the risk rating reports. This allowed us to determine if any of these grantees still had a low risk rating, despite repeatedly submitting requests without documentation. The iSupplier file also identified if each payment was approved automatically or manually. We reviewed the file for all moderate and elevated grantees to determine whether any of their payment requests were auto-approved and if all manually approved requests paid during fiscal years 2015 and 2016 included the supporting attachment(s) in eInvoicing.

To further evaluate FAA's implementation of eInvoicing, we tested a statistical sample of AIP payments from Delphi made during fiscal years 2015 and 2016. To obtain the statistical sample, we downloaded transaction information for 30,627 invoices with a total absolute distribution amount of $6,012,754,410.32, which included positive and negative transactions. We stratified this universe into

3 strata and selected samples as follows: Stratum 1 was a probability proportional to size with replacement sample of 67 out of 30,265 invoices with a positive total; Stratum 2 was a census of all 11 invoices with an invoice total of $0; and Stratum 3 was a probability proportional to size with replacement sample of 5 out of 351 invoices with a negative total. Our sample of 83 invoices included 107 out of 35,289 line items and covered a gross distribution amount of $102,966,248.27 or 1.7 percent of the gross line item distribution amount of $6,014,703,781.80 in the universe. For each sample payment, we downloaded all available supporting documentation accompanying each payment in eInvoicing. We reviewed the documentation to determine if it met the payment request requirements set forth in FAA's policy. Our sample design allowed us to estimate distribution amounts for line items that either had no support documentation or incomplete documentation, with a precision no greater than +/-6.4 percent of the universe amount.

To assess whether AIP grant payments were supported and valid we selected a non-statistical sample of 262 AIP payments paid during fiscal years 2015 and 2016. These payments were identified using various data analyses (e.g., Benford's Law analysis). For each selected payment, we analyzed what was available in eInvoicing. We also obtained grant agreements and invoice level documentation to justify the payment request. If the support documentation was not available in eInvoicing, we contacted grantee representatives to obtain it. Depending on our initial analysis and when applicable we requested more specific supporting documentation (e.g., timesheets, contracts, etc.) in addition to the invoice(s). We reviewed all documentation to ensure requests were supported and payments were made in the correct amount for eligible projects based on the executed grant agreements, FAA's policy, AIP Handbook, and various other applicable Federal laws and regulations. We categorized our findings into three categories of payments that (1) exceeded the allowable Federal share, (2) lacked supporting documentation, and (3) were outside the scope of the grant agreement. We also questioned 37 grantees regarding their knowledge of eInvoicing processes, and interaction with FAA RO/ADO responsible for oversight. These 37 grantees were specifically selected based on the payments identified and reviewed as a result of our data analyses.

# Exhibit B. Organizations Visited or Contacted

## FAA Facilities

FAA Headquarters

FAA Harrisburg Airports District Office

FAA Washington Airports District Office

Enterprise Services Center

## Other Organizations

Acadia Parish Policy Jury (LA)

Allegheny County Airport Authority (PA)

Avoyelles Parish Airport Authority (LA)

Bowman County Airport Authority (ND)

Chattanooga Metropolitan Airport Authority (TN)

City of Atlanta (GA)

City of Bangor (ME)

City of Bowling Green, County of Warren and Bowling Green-Warren-County Airport Board (KY)

City of Burlington (VT)

City of Buffalo (OK)

City of Conway (AR)

City of Duncan (OK)

City of Hobart (OK)

City of Hooker (OK)

City of Laredo, (TX)

City of Lawton and Lawton Metropolitan Area Airport Authority (OK)

City of Manila (AR)

City of Midland (TX)

City of Newton (MS)

City of Pocahontas (IA)

City of Sidney (OH)

City of Tishomingo (OK)

Commonwealth of Pennsylvania, Department of Transportation, Bureau of Aviation

Darlington County (SC)

GCR Inc.

Illinois Department of Transportation, Division of Aeronautics

Indian Wells Valley Airport District (CA)

Knox County Airport Authority and Knox County Commissioners (OH)

Newberry County (SC)

Oconee County (SC)

State of Florida

State of Hawaii, acting by and through its Department of Transportation

Santa Maria Public Airport District (CA)

Sarasota Manatee Airport Authority (FL)

State of New Hampshire

Thomas Airport Trust Authority (OK)

Tri-County Airport Authority (FL)

# Exhibit C. Statistical Sample Payments Lacking Required eInvoicing Support

| Invoice Date | Invoice Number | Grantee Name | Invoice Amount | No Support/ Attachments | Incomplete Support Attached |
|---|---|---|---|---|---|
| 05/19/15 | 1748 | State of Michigan (Channeling) | $92,386.00 | X | |
| 02/26/15 | AIP 55 Correction 9 | Evansville Vanderburgh Airport Authority | $1,239,476.00 | X | |
| 04/01/15 | 003 | Port of Astoria | $243,734.12 | X | |
| 02/13/16 | IPPA No 05 | Republic of the Marshall Islands Ports Authority | $241,246.00 | X | |
| 05/05/15 | 20150505-1 | County of Horry, SC | $741,458.00 | X | |
| 12/16/14 | AIP-112 DEC1 | City of Atlanta (GA) | $3,814,987.16 | X | |
| 01/09/15 | CEF-028-2012-14 | Commonwealth of Massachusetts (Channeling) | $1,186,908.17 | X | |
| 10/23/14 | SLC-3-49-0033-103CM11 | State of Utah (Channeling) | ($846,869.00) | X | |
| 02/10/16 | 20160181C | Illinois Department of Transportation, Division of Aeronautics | ($97,582.00) | | X |
| 04/29/16 | 57-004 | City of Harlingen | $1,015,642.00 | | X |
| 06/20/16 | 3-12-0025-067-2011 Draw 7 | County of Broward, FL | $990,222.57 | | X |
| 11/05/15 | 11-05-2015 M | State of Alaska | $2,495,106.13 | | X |
| 08/20/16 | ROA054-4-C | Roanoke Regional Airport | ($177,348.99) | | X |

Source: OIG analysis of grantee payments

# Exhibit D. AIP Payment Questioned Costs and Potentially Recoverable Amounts

Table D1. Questioned Costs and Potentially Recoverable Amounts

| Invoice Date | Invoice No. | Grantee Name | Po Number | Invoice Amount | Exceeded Federal Share | Lacks Supporting Documentation | Outside Grant Agreement Scope | Potentially Recoverable |
|---|---|---|---|---|---|---|---|---|
| 01/09/15 | 20150290 | Illinois Department of Transportation, Division of Aeronautics | GLG170022128 | $752,685.00 | $38,518.29 | | | $38,518.29 |
| 06/02/15 | 002 | City of Manila (AR) | SWG050038011 | $9,250.00 | $925.00 | | | $925.00 |
| 10/13/15 | 007 | City of Manila (AR) | SWG050038011 | $9,060.00 | $906.00 | | | $906.00 |
| 06/15/15 | 005 | City of Manila (AR) | SWG050038011 | $8,140.00 | $814.00 | | | $814.00 |
| 06/17/15 | 004 | City of Manila (AR) | SWG050038011 | $634.50 | $63.45 | | | $63.45 |
| 12/22/15 | 009 | City of Manila (AR) | SWG050038011 | $6,338.50 | $633.85 | | | $633.85 |
| 08/11/15 | 006 | City of Manila (AR) | SWG050038011 | $32,408.00 | $3,240.80 | | | $3,240.80 |
| 01/06/16 | 12 | City of Manila (AR) | SWG050038011 | $1,500.00 | $150.00 | | | $150.00 |
| 02/11/16 | 20161098 | Illinois Department of Transportation, Division of Aeronautics | GLG17SBGP105 | $99,871.00 | $6,290.65 | | | $6,290.65 |
| 02/03/15 | 303 | State of Florida | SOG120000010 | $93,986.85 | $9,398.69 | | | $0.00 |
| 03/11/15 | 304 | State of Florida | SOG120000010 | $93,986.82 | $9,398.67 | | | $0.00 |
| 04/14/15 | 305 | State of Florida | SOG120000010 | $93,986.85 | $9,398.69 | | | $0.00 |
| 05/13/15 | 306 | State of Florida | SOG120000010 | $93,986.82 | $9,398.67 | | | $0.00 |

| Invoice Date | Invoice No. | Grantee Name | Po Number | Invoice Amount | Exceeded Federal Share | Lacks Supporting Documentation | Outside Grant Agreement Scope | Potentially Recoverable |
|---|---|---|---|---|---|---|---|---|
| 06/04/15 | 307 | State of Florida | SOG120000010 | $93,986.34 | $9,398.63 | | | $0.00 |
| 07/14/15 | 308 | State of Florida | SOG120000010 | $93,986.27 | $9,398.62 | | | $0.00 |
| 08/27/15 | 309 | State of Florida | SOG120000010 | $93,986.31 | $9,398.63 | | | $0.00 |
| 09/22/15 | 310 | State of Florida | SOG120000010 | $93,986.29 | $9,398.62 | | | $0.00 |
| 11/17/14 | 301 | State of Florida | SOG120000010 | $155,085.62 | $9,398.69 | | | $0.00 |
| 10/31/15 | 312 | State of Florida | SOG120000010 | $93,986.28 | $9,396.63 | | | $0.00 |
| 11/12/14 | 11132014 | Tri-County Airport Authority (FL) | SOG120007010 | $99,997.73 | $9,999.77 | | | $9,999.77 |
| 11/18/14 | 11182014 | Tri-County Airport Authority (FL) | SOG120007010 | $99,998.04 | $9,999.80 | | | $9,999.80 |
| 12/16/14 | 12162014 | Tri-County Airport Authority (FL) | SOG120007010 | $99,695.03 | $9,969.50 | | | $9,969.50 |
| 11/12/14 | 11122014 | Tri-County Airport Authority (FL) | SOG120007010 | $3,223.00 | $322.30 | | | $322.30 |
| 07/21/15 | 1541-1537-1538 | City of Lawton and Lawton Metropolitan Area Airport Authority (OK) | SWG400051032 | $210,492.82 | $21,049.28 | | | $0.00 |
| 10/15/14 | 2026172 | City of Hobart (OK) | SWG400040004 | $4,776.50 | $477.65 | | | $0.00 |
| 12/16/14 | 103-14 | City of Hobart (OK) | SWG400040005 | $3,840.00 | $384.00 | | | $0.00 |
| 01/11/15 | 2026315 | City of Hobart (OK) | SWG400040006 | $4,861.00 | $486.10 | | | $0.00 |
| 04/30/14 | 76943 | Oconee County (SC) | SOG450016020 | $7,990.00 | $799.00 | | | $0.00 |
| 01/31/14 | 76535 | Oconee County (SC) | SOG450016020 | $3,250.00 | $325.00 | | | $0.00 |
| 10/31/14 | 70047 | Newberry County (SC) | SOG450066011 | $537,261.50 | $53,726.00 | | | $0.00 |

**Exhibit D.** AIP Payment Questioned Costs and Potentially Recoverable Amounts

| Invoice Date | Invoice No. | Grantee Name | Po Number | Invoice Amount | Exceeded Federal Share | Lacks Supporting Documentation | Outside Grant Agreement Scope | Potentially Recoverable |
|---|---|---|---|---|---|---|---|---|
| 10/31/14 | 70046 | Newberry County (SC) | SOG450066011 | $51,461.62 | $5,146.00 | | | $0.00 |
| 09/11/14 | 69132 | Newberry County (SC) | SOG450066011 | $213,616.01 | $21,362.00 | | | $0.00 |
| 12/31/14 | 76 | Newberry County (SC) | SOG450066011 | $21,879.06 | $2,188.00 | | | $0.00 |
| 04/23/15 | AIP-105 APR 15D | City of Atlanta (GA) | SOG13000805 | $997,975.52 | $96,917.39 | | | $0.00 |
| 08/27/15 | AIP-113 AUG 2015 | City of Atlanta (GA) | SOG130008113 | $99,522.40 | $15,550.38 | | | $0.00 |
| 09/30/14 | AIP109-2 | City of Atlanta (GA) | SOG130008109 | $905,406.52 | $90,540.65 | | | $0.00 |
| 07/09/15 | AIP-105-8 | City of Atlanta (GA) | SOG13000805 | $818,052.80 | $89,738.80 | | | $0.00 |
| 09/30/14 | AIP-96-SEP | City of Atlanta (GA) | SOG13000896 | $726,065.20 | $71,704.28 | | | $0.00 |
| 01/13/16 | AIP-105-02 | City of Atlanta (GA) | SOG13000805 | $633,120.63 | $29,964.89 | | | $0.00 |
| 03/15/16 | AIP-113B | City of Atlanta (GA) | SOG130008113 | $634,990.75 | $59,905.43 | | | $0.00 |
| 06/12/15 | 761 | Newberry County (SC) | SOG450066011 | $41,296.00 | $4,129.00 | | | $0.00 |
| 10/29/14 | FINAL | Indian Wells Valley Airport District (CA) | WPG06011027 | $79,451.45 | | $79,451.45 | | $0.00 |
| 12/21/15 | TE4 | Indian Wells Valley Airport District (CA) | WPG060110029 | $35,812.79 | | $27,901.52 | | $0.00 |
| 11/5/15 | Targtaglia3 | Indian Wells Valley Airport District (CA) | WPG060110029 | $15,513.09 | | $12,185.98 | | $0.00 |
| 01/28/15 | 2208653904 | Commonwealth of Pennsylvania, Department of Transportation, Bureau of Aviation | EAG42SBGP069 | $81,903.86 | | $4,095.19 | | $0.00 |

**Exhibit D.** AIP Payment Questioned Costs and Potentially Recoverable Amounts

| Invoice Date | Invoice No. | Grantee Name | Po Number | Invoice Amount | Exceeded Federal Share | Lacks Supporting Documentation | Outside Grant Agreement Scope | Potentially Recoverable |
|---|---|---|---|---|---|---|---|---|
| 06/17/15 | 2208949469 | Commonwealth of Pennsylvania, Department of Transportation, Bureau of Aviation | EAG42SBGP063 | $6,366.22 | | $5,490.00 | | $5,490.00 |
| 04/14/15 | 53 | Sarasota Manatee Airport Authority (FL) | SOG120071051 | $366,169.00 | | $30,000.00 | | $0.00 |
| 09/27/14 | 09262014 | Tri-County Airport Authority (FL) | SOG120007009 | $15,000.00 | | $15,000.00 | | $15,000.00 |
| 09/15/15 | FINAL | Newberry County (SC) | SOG450066011 | $25,676.48 | | | $25,676.48 | $0.00 |
| 06/12/15 | 761 | Newberry County (SC) | SOG450066011 | $41,296.00 | | | $41,296.00 | $0.00 |
| 06/12/15 | 762 | Newberry County (SC) | SOG450066011 | $12,351.17 | | | $12,351.17 | $0.00 |

Source: OIG analysis of grantee payments

## Table D2. Total Questioned Costs and Potentially Recoverable Amounts by Category

| Category | Exceeded Federal Share | Lacks Supporting Documentation | Outside of Grant Agreement Scope | Total |
|---|---|---|---|---|
| Total Questioned Amount Per Category | $740,211.80 | $174,124.14 | $79,323.65 | **$993,659.59** |
| Total Recoverable Amount Per Category | $81,833.41 | $20,490.00 | $0.00 | **$102,323.41** |

Source: OIG analysis of grantee payments

# **Exhibit E.** List of Acronyms

| | |
|---|---|
| AIP | Airport Improvement Program |
| DOT | Department of Transportation |
| ESC | Enterprise Services Center |
| FAA | Federal Aviation Administration |
| OA | Operating Administrations |
| OIG | Office of Inspector General |
| OST | Office of the Secretary of Transportation |
| RITA | Research and Innovative Technology Administration |
| RO/ADO | Regional and Airport District Offices |

# Exhibit F. Major Contributors to This Report

| | |
|---|---|
| KEVIN **DORSEY** | PROGRAM DIRECTOR |
| BRIAN **FRIST** | PROJECT MANAGER |
| ALLISON **LA VAY** | SENIOR ANALYST |
| CHRISTINA **BURGESS** | ANALYST |
| TIM **ROBERTS** | SENIOR AUDITOR |
| PETRA **SWARTZLANDER** | SENIOR STATISTICIAN |
| MAKESI **ORMOND** | STATISTICIAN |
| ANDREA **NOSSAMAN** | CHIEF COMMUNICATIONS OFFICER |
| AMY **BERKS** | SENIOR COUNSEL |
| BARBARA **HINES** | ASSOCIATE COUNSEL |

# Appendix A. FAA Example of Invoice Summary Template for AIP Grantees

Grant # 3-00-0000-001-2011

| Contractor/ Consultant Name | Contractor Invoice # | Invoice Date | Due Date | Billed Amount | AIP Costs | Non-AIP Costs | Worksite Name | Short Summary of Services/ Materials Billed |
|---|---|---|---|---|---|---|---|---|
| B&D Associates | 7 | 3/30/2012 | 4/30/2012 | $35,400.00 | $31,860.00 | $3,540.00 | St. Augusta Regional Airport | 300 hours of project assessment and inspection. |
| Point Industries | 4 | 5/3/2012 | 6/3/2012 | $325,312.00 | $292,780.00 | $32,532.00 | St. Augusta Regional Airport | Removed 63 square yards of pavement, installed 3,837 tons of crushed aggregate base course, and installed 6,243 tons of bituminous binder course. |
| Total Requested | | | | | $324,640.00 | | | |

Source: FAA's Airport Improvement Program (AIP) Grant Payment and Sponsor Financial Reporting Policy, December 31, 2015

# Appendix B. Agency Comments

**Federal Aviation Administration**

# Memorandum

Date:       August 14, 2018

To:         Louis King, Assistant Inspector General for Financial and Information
            Technology 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 eInvoicing and Airport
            Improvement Program (AIP) Grant Payments

The FAA is committed to continuous improvement of its internal controls for AIP
payments. FAA's improvement efforts include strengthening oversight of "eInvoicing"
and AIP grant payments by enhancing system controls over AIP grantee risk ratings and
better ensuring that AIP grantees submit the required documentation for payments.

We acknowledge that the OIG found AIP payment requests that either exceeded allowable
AIP federal share, lacked sufficient support documentation, or included charges outside of
grant scope. However, based on in-depth analysis, we disagree with the OIG's conclusion
that $1.2 million of the $9.1 million in AIP payments identified by the OIG has
questionable costs where $174,000 are recoverable. Our analyses identified that about
$50,000 in questioned costs is recoverable as follows:

- *Payments Exceeding Federal Share*: The OIG questioned 41 payment requests
  totaling about $737,000 in payment costs, of which the OIG believes $79,000 is
  potentially recoverable from 16 invoices. As a result of FAA's analysis, $34,000
  has already been recovered and about $45,000 has been identified as recoverable.
  The FAA will notify the sponsor to return the funds to FAA and we will complete
  the appropriate recoveries by December 31, 2018.

- *Payments Lacking Sufficient Support Documentation:* The OIG questioned 10
  payment requests totaling about $341,000 in payment costs, of which the OIG
  believes $94,000 is potentially recoverable from four payment requests. As a result
  of FAA's analysis, the majority of the supporting documentation has been
  received, reviewed, and the payments were determined to be fully supported.
  However, FAA did find that $5,000 is recoverable from one payment request out

of the $94,000 identified by the OIG. We will notify the sponsor to return the funds to FAA and will complete the appropriate recoveries by December 31, 2018.

Upon review of OIG's draft report, we concur with recommendations 1, 2, 3, 4, 6, 7, and 8 as written. We plan to implement recommendation 2 and 3 by December 31, 2018; and recommendations 1, 4, 6, 7 and 8 by September 30, 2019.

We partially concur with recommendation 5 to develop and implement a plan to recover unsupported costs for AIP grantees. We do not agree with the amount the OIG determined as recoverable. Specifically, of the $174,000 cited by the OIG as recoverable, we have identified that approximately $50,000 of the $174,000 in questioned costs cited by the OIG are recoverable. We plan to notify the AIP grantees in question to return the funds to the FAA by December 31, 2018.

We appreciate this opportunity to respond to the OIG draft report. Please contact H. Clayton Foushee at (202) 267-9000 if you have any questions or require additional information about these comments.

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# Fraud & Safety
# Hotline

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https://www.oig.dot.gov/hotline

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