Office of Inspector General
Audit Report

NEW DISADVANTAGED BUSINESS ENTERPRISE PARTICIPATION IS DECREASING AT THE NATION'S LARGEST AIRPORTS, AND CERTIFICATION BARRIERS EXIST

Federal Aviation Administration

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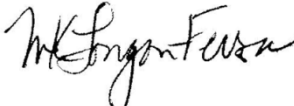
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Memorandum

U.S. Department of Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **<u>INFORMATION</u>:** New Disadvantaged Business Enterprise Participation Is Decreasing at the Nation's Largest Airports, and Certification Barriers Exist
Federal Aviation Administration
Report Number ZA2017021

Date: January 17, 2017

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Reply to Attn. of: JA-60

To: Director, Office of Civil Rights, DOT
Federal Aviation Administrator

Each year, the Federal Aviation Administration (FAA) distributes over $3 billion in Federal grants for airport projects. When they accept these grants, airports are required to establish disadvantaged business enterprise (DBE) and airport concession disadvantaged business enterprise (ACDBE) programs.[1] These programs provide small businesses owned and controlled by socially and economically disadvantaged individuals with opportunities to compete for construction, professional services, and concession contracts.[2]

However, in the FAA Modernization and Reform Act of 2012 (the Act),[3] Congress raised concerns that discrimination continues to pose obstacles to disadvantaged firms seeking to do business at the Nation's airports. The Act directed our office to report annually for 3 years on new DBE participation at large

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[1] FAA's implementation of the Department of Transportation's (DOT) DBE program is governed by Title 49 of the Code of Federal Regulations (C.F.R.) Part 26 and covers all types of federally assisted contracts and procurement activities conducted by DOT recipients. The ACDBE program covers car rental, food service, and retail and is governed by 49 C.F.R. Part 23.

[2] According to 49 C.F.R. §§ 26.1 and 23.1, the objectives of the DBE and ACDBE program include creating a level playing field on which DBEs and ACDBEs can compete fairly for opportunities for contracts and concessions, respectively.

[3] Public Law No. 112-95 (2012).

and medium hub airports[4] and to identify reasons why some airports have been more successful than others at contracting with new DBEs.[5]

We issued our first report in 2014 and identified several significant barriers for new DBE/ACDBE entrants at the Nation's largest airports, such as limited opportunities for and infrequent turnover of existing DBE/ACDBE firms, lack of access to capital and high entry costs, and inexperience with the airport bidding process.[6] In 2015, our second report affirmed that these barriers continued to present challenges and identified additional barriers in the areas of car rental operations and prompt payment that limit DBE/ACDBE firms' opportunities to obtain airport work.[7] Our objectives for this third audit were to (1) determine the number of new and existing DBE/ACDBE firms receiving contracts or leases at the Nation's largest airports in fiscal year 2014[8] and (2) assess factors that aided or hampered firms seeking DBE/ACDBE certification.

We conducted our work in accordance with generally accepted Government auditing standards. We collected and analyzed data on new and existing DBE/ACDBE firms and associated contract awards and lease revenues for the Nation's 65 largest airports. We compared 2014 data with the 2 previous years—2012 and 2013—to show 3 years of DBE/ACDBE participation and then followed up with a sample of 10 airports to determine reasons for changes in their DBE participation. To determine factors that aided or hindered firms seeking DBE/ACDBE certification, we interviewed officials from the Department of Transportation's (DOT) Departmental Office of Civil Rights (DOCR) and Office of General Counsel as well as FAA. We also visited 8 DBE/ACDBE certifying authorities where we interviewed staff as well as reviewed 110 application files of approved and denied DBE/ACDBE certification applications. See exhibit A for more information on our scope and methodology.

RESULTS IN BRIEF

Between fiscal years 2012 and 2014, the number of existing DBE firms working at the 65 largest airports decreased by 31 percent, and the number of new DBE firms

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[4] Title 49 of the United States Code (U.S.C.) Section 40102 defines hub airports by percentage of total U.S. passenger enplanements, with large hubs representing at least 1 percent and medium hubs at least 0.25 percent.

[5] As in our two previous audits, we considered a firm "new" if it had no prior experience in DOT's DBE or ACDBE program.

[6] *New Disadvantaged Business Enterprise Firms Face Barriers to Obtaining Work at the Nation's Largest Airports* OIG Report Number ZA-2014-55, June 12, 2014. OIG reports are available on our Web site: https://www.oig.dot.gov.

[7] *New Disadvantaged Business Enterprise Firms Face Additional Barriers to Obtaining Work at the Nation's Largest Airports*, OIG Report Number ZA-2016-002, November 3, 2015.

[8] This is our third audit examining the number of new DBE/ACDBE firms at the Nation's largest airports. Our first audit examined fiscal year 2012 data—which was the first full year of available data. Our second audit examined fiscal year 2013 data. This report focuses on fiscal year 2014 data.

working at these airports decreased by 76 percent. While FAA was unable to explain the reasons for the overall decline in DBE participation, airport officials cited several factors impacting their local DBE participation numbers, such as the completion of a major federally funded project or competition for DBE firms from nearby highway and construction projects. For example, one airport had completed all major construction work and did not expect to start any other major federally funded projects for several years. During the same period, the numbers of ACDBE firms increased by 9 percent, though there was a 43-percent decline in new ACDBE firms' participation. This decline is due largely to a drop in the number of major concession leases rebid in fiscal year 2014 as compared to the prior years. Furthermore, the largest airports' reports to FAA on DBE/ACDBE programs continue to contain errors. For example, 1 airport reported 47 firms in its car-rental program while only 11 were actually ACDBE certified.[9] Although FAA has improved its data collection system, the Agency's monitoring of airport data—particularly for the 65 largest airports—has not consistently identified trends in DBE/ACDBE participation or prevented these errors from continuing.

Several factors hampered new and existing firms that pursued DBE/ACDBE certification. First, FAA is unable to effectively track certifying authorities' processing times for DBE/ACDBE applications to ensure they meet regulatory timeframes. This is primarily because DOCR has not provided clear guidance to certifying authorities for documenting when an application is complete and ready for processing. We found that seven of eight sampled certifying authorities did not always meet mandated timeframes for processing applications, with some as late as 225 days. Delayed processing times could result in missed opportunities for firms to compete as DBE/ACDBEs in federally funded contracts or leases. Second, there is no way to determine whether the DBE certification training, mandated for most certifying staff, is complete or consistent. Specifically, DOCR cannot ensure that staff who still need the training actually complete it due to its inadequate communication about which courses are mandatory and its outdated list of active certifying authorities and their staff. Finally, DOCR has not developed a "train-the-trainer" program to ensure that FAA, Federal Highway Administration (FHWA), and Federal Transit Administration (FTA) personnel provide consistent guidance and training to certification staff—a DOT Order requirement since 2014.[10] As a result, without this program, DOT cannot ensure consistency and effective fraud prevention among the three Operating Administrations as they administer the DBE/ACDBE program.

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[9] The other 36 firms had been certified in local or state programs involving minority and women-owned businesses.
[10] DOT Order 4220.1, Disadvantage Business Enterprise Program Coordination and Oversight (February 2014), directs DOCR to oversee the development of a "train-the-trainer" program for Operating Administration staff so that they may deliver consistent training and guidance to their recipients on all aspects of the DBE program.

We are making recommendations to DOCR and FAA to strengthen their oversight of the DBE/ACDBE program and to help ensure that only eligible firms are certified.

BACKGROUND

For a firm to qualify as a DBE/ACDBE under Federal regulations,[11] it must be 51 percent owned and controlled by one or more individuals who are socially[12] and economically disadvantaged.[13] Once certified, firms qualify for DBE/ACDBE-related work as long as these requirements are met.

Also under Federal regulations,[14] each of the 50 States, the District of Columbia, and Puerto Rico are required to establish a Unified Certification Program (UCP) agreement between all state and local transportation agencies who participate in the DBE/ACDBE program and DOT.[15] This agreement establishes the certification procedures within each State for complying with DOT guidelines and includes a list of certifying authorities.[16] The certifying authorities are responsible for determining the eligibility of DBE/ACDBE firms to participate in DOT-assisted programs,[17] based on such factors as on-site visits; personnel interviews; and reviews of ownership, control, and ability to perform the work. Finally, Federal regulations establish requirements and timeframes for certifying authority processing of instate and interstate applications. While instate processing focuses on firms seeking certification for the first time, the interstate process is meant to facilitate certification of currently certified firms in other states.

FAA, FHWA, and FTA are primarily responsible for overseeing the day-to-day administration of the DBE program and State certifying authorities. This includes providing training and technical assistance, as well as ensuring that certifying

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[11] 49 C.F.R. Part 26, Subpart D—Certification Standards; 49 C.F.R. Part 23, Subpart C—Certification and Eligibility of ACDBEs.

[12] There is a regulatory rebuttable presumption "that citizens of the United States (or lawfully admitted permanent residents) who are women, Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian Americans, or other minorities found to be disadvantaged by the Small Business Administration, are socially and economically disadvantaged individuals." 49 C.F.R. § 26.67(a).

[13] Under the current departmental regulations, to be considered economically disadvantaged, the DBE owner must have personal net worth of less than $1.32 million, not including the equity in the individual's primary place of residence or ownership interest in the ACDBE firm or firm that is applying for ACDBE certification. Additionally, the firm's average annual gross receipts over the previous 3 Federal fiscal years may not exceed $22.41 million for DBE firms and $56.4 million for most ACDBE firms.

[14] 49 C.F.R. Part 26, Subpart E.

[15] The UCP is a program required by DOT, standardizing the process for certifying DBEs among state and local transportation agencies within a state that receives DOT funds either directly or indirectly.

[16] Nationally, there are more than 100 certifying authorities, with 39 located at airports or airport authorities primarily under FAA oversight. The remaining certifying authorities are located at State and local transportation agencies that are overseen by FAA, FTA, or FHWA.

[17] The UCP program allows applicants to apply only once for a DBE/ACDBE certification that will be honored by all DOT recipients in the state.

authorities comply with Federal regulations and guidance through compliance reviews and the investigation of complaints. DOCR is the lead office within OST's DBE/ACDBE program and is responsible for overseeing FAA, FHWA, and FTA's efforts in fulfilling their responsibilities and ensuring consistency in their certification training programs. DOCR also provides guidance and hosts required on-line training for certification staff through the National Highways Institute website. Finally, DOT guidance requires that the UCP agreements be updated and approved by DOT whenever certifying authorities are added or removed.[18]

DBE PARTICIPATION AT THE NATION'S 65 LARGEST AIRPORTS DECLINED, WHILE ACDBE PARTICIPATION INCREASED SLIGHTLY

New and existing DBE participation in airport programs declined between fiscal years 2012 and 2014. During the same time period, ACDBE participation increased, although the number of new participants declined. Furthermore, the largest airports' reports to FAA on DBE/ACDBE programs continue to contain errors, making it difficult to effectively oversee and evaluate airport DBE/ACDBE participation.

New and Existing DBEs at the Nation's 65 Largest Airports Declined Between Fiscal Years 2012 and 2014

Between fiscal years 2012 and 2014, the total number of participating DBEs decreased by 31 percent, and contract awards to these firms decreased by 36 percent.[19] The number of new DBEs decreased 76 percent, while awards to these firms decreased 96 percent. See table 1 for details.

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[18] In 2011, DOT's Office of General Counsel issued guidance to 49 C.F.R. § 26.81 stating that "if a UCP member wants to stop performing certification functions, or if members of a UCP want to remove or replace the certification functions of a member, the UCP must submit to DOT an amendment to its UCP plan for prior approval."

[19] During this same time, the amount of Federal funds going to the 65 largest airports remained relatively constant.

Table 1. Change in the Number of and Awards to Existing and New DBEs by the 65 Largest Airports, Fiscal Years 2012 to 2014

	Number of All Firms	Awards to All Firms	Number of New Firms*	Awards to New Firms
Fiscal Year 2012	546	$294,688,964	46	$22,755,098
Fiscal Year 2013	575	$217,680,690	24	$8.085,291
Fiscal Year 2014	377	$187,544,552	11	$833,037
% Change 2012-2014	-31%	-36%	-76%	-96%

*Although not a criterion for being certified, two of these firms were also veteran owned.
 Source: OIG-gathered data and analysis.

While FAA was unable to provide the reasons for the overall decline in DBE participation between fiscal years 2012 and 2014, airport officials we interviewed at 7 of the 10 airports we sampled cited several factors impacting their local DBE participation numbers. These factors included the completion of a major federally funded project or competition for DBE firms from nearby highway and construction projects. The conditions at several airports we reviewed support this view. For example, one airport with declining DBE program participation was in the process of completing a major development project. Another airport with no participation had previously completed all planned construction projects and, as a result, was not likely to undertake any more federally funded work for several years. Airport officials also noted that DBEs generally prefer private sector work because it presents fewer administrative and financial requirements, and DBEs that work at airports tend to be established firms that make airport work their primary focus.

Two of the 10 airports—San Jose and Seattle—reported little or no DBE participation during this time even though they received significant FAA grant funds—San Jose received $13.5 million and Seattle received $45 million. Under program requirements, airports that receive Federal funding are required to have annual overall DBE goals[20] and administer their programs in good faith, with FAA responsible for monitoring their compliance. FAA data showed that San Jose has not achieved any DBE participation since 2009 and that Seattle has not met its goals since 2013. In 2015, FAA conducted reviews of both airports and made recommendations to strengthen the airports' programs and ensure their goal setting methodologies complied with Federal requirements.

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[20] 49 C.F.R. Parts 23 and 26 require recipients to submit overall goals (reviewed on a triennial basis) for DBE/ACDBE participation in DOT-assisted contracts. While DOT encourages recipients to meet their goals on an annual basis, recipients cannot be penalized for not meeting their goals unless they failed to administer the program in good faith.

One factor cited by airport officials that impacts the number of opportunities for DBE firms at the San Jose and Seattle airports is a 2005 court ruling[21] that requires all DOT grantees in the Ninth Federal Circuit to provide evidence—such as disparity studies—of discrimination before they can implement race-conscious DBE goals in their programs. Several other airports under the Ninth Circuit's jurisdiction, including Phoenix and Las Vegas, have completed disparity studies and have met their DBE goals. San Jose airport officials informed us that they had not yet conducted a disparity study and were therefore unable to establish race-conscious DBE goals. Seattle airport officials stated that they only recently completed a disparity study. The officials at both airports stated that the inability to use race-conscious goals at the times the goals were set contributed in part to the airports' difficulties in achieving their DBE goals.

Since San Jose airport had not conducted a disparity study, FAA recommended the airport use all data available, such as local or State disparity studies and historical participation data to develop race-conscious DBE participation goals. Using disparity studies done by the California Department of Transportation and the San Francisco Municipal Transportation Agency, the airport developed race-conscious goals for fiscal years 2017 to 2019. Now that it has completed its disparity study, Seattle has set a race conscious goal of 4.76 percent participation each year during the 3 year period—fiscal years 2016 to 2018.

We also found that FAA does not conduct detailed trend analyses of changes in DBE participation levels. FAA officials stated that instead, they periodically review data to determine whether individual airports are meeting their goals, and whether the airports as a whole are meeting the nationwide 10-percent goal. FAA also provides this data quarterly by airport to DOCR, who uses the information for a variety of purposes, such as support for congressional briefings. However, FAA officials noted that without more analyses, they cannot determine the reasons for the significant reduction in DBE program participation between 2012 and 2014—either at individual airports or for the program as a whole.

ACDBE Participation at the Nation's 65 Largest Airports Increased Between Fiscal Years 2012 and 2014, While Numbers of New Participants Declined

Between fiscal years 2012 and 2014, the total number of ACDBEs participating at the 65 largest airports increased by 9 percent, and revenues to these firms increased by 16 percent. In contrast, the number of new ACDBE participants

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[21] *Western States Paving Co., Inc. v. Washington State Department of Transportation*, 407 F.3d 983 (9th Cir., 2005). Only airports in States in the Ninth Federal Circuit—Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, and Washington—are affected by this ruling.

decreased by 43 percent, while concession revenues to new firms increased by 202 percent. See table 2 for details.

Table 2. Change in the Number of Existing and New ACDBEs by the 65 Largest Airports, Fiscal Years 2012 to 2014

	Number of All Firms	Dollars to All Firms	Number of New Firms	Dollars to New Firms
Fiscal Year 2012	1,014	$2,459,382,949	37	$7,331,230
Fiscal Year 2013	1,110	$2,576,680,665	18	$4,267,124
Fiscal Year 2014	1,103	$2,842,791,056	21	$22,133,605
% Change 2012-2014	9%	16%	-43%	202%

Source: OIG-gathered data and analysis

The increase in new ACDBE concession revenues was due to the addition of a rental car firm that had $17.1 million in revenues in fiscal year 2014. This new business alone increased new ACDBE revenues from $5.1 million to $22.1 million. If this one business is excluded, however, new ACDBE revenue decreases 31 percent.

New ACDBE participation declined at the 65 largest airports in part because there were fewer opportunities available from re-bidding of large concession leases than in previous years. As we have reported, the highest number of opportunities for new ACDBE program participation results from the re-bidding of large concession leases. However, many airports that reported high numbers of new entrants in previous years did not report any new entrants in fiscal year 2014 due to the length of concessions leases—7 to 10 years on average. For example, a rebid of a major concessions package at Phoenix's airport in fiscal year 2012 resulted in 14 new ACDBE entrants. In fiscal year 2014, the Phoenix airport had only one small concession package which did not result in any new ACDBE entrants. Similarly, Atlanta reported 10 new ACDBE entrants in fiscal year 2012 as a result of rebidding a large concession lease. In fiscal year 2014, it did not report any new entrants due to the lack of new concession leases.

Airport Reports to FAA on DBE/ACDBE Participation Continue To Contain Errors

Airports' reports to FAA on DBE/ACDBE participation—including numbers of DBEs and ACDBEs, contract and lease dollar amounts, etc.—continue to contain data errors. Our two prior reports identified this issue and recommended that FAA ensure its new data collection system—dbE-Connect—include improved data entry, processing, and validation capabilities. FAA took steps to improve airports'

DBE/ACDBE reporting with the introduction of the dbE-Connect system for fiscal year 2014—which includes automated quality controls to improve data accuracy. Nevertheless, we still found errors in nearly half of the airports' reports. For example:

- **DBE Reporting.** We identified errors in 11 of the 65 airports' reports. For example, one airport over-reported both the number of DBE firms receiving contract awards by 15 and the amount of the awards by $5.3 million. In general, however, the errors were minor and would not likely be detected without a detailed review of the individual airport reports and supporting documentation.

- **ACDBE Reporting.** We also found errors in 24 of the 65 airports' reports, several of which were significant. For example, 1 airport reported 47 firms in its car-rental program but only 11 were actually ACDBE certified. Moreover, the 36 uncertified firms accounted for approximately $12.2 million in misreported revenue. Another airport over reported the values of 11 ACDBE contracts accounting for $60 million in misreported revenue.

This lack of complete and accurate program data inhibits the effectiveness of FAA's and DOCR's oversight and evaluations of airport DBE/ACDBE programs. FAA officials noted that since the introduction of dbE-Connect, they have implemented additional automated controls to reduce data errors. It is unclear, however, to what extent these changes will improve the quality of airports' reports in the future.

SEVERAL FACTORS HAVE IMPACTED FIRMS APPLYING FOR CERTIFICATION

Several factors hampered firms that have sought DBE/ACDBE certifications. First, FAA is unable to provide oversight of lengthy processing times for DBE/ACDBE applications without clear guidance for certifying authorities to document when an application is complete and ready for processing. This deficiency can result in missed opportunities for firms to compete as DBE/ACDBEs in federally funded contracts or leases due to delays in achieving certification. Second, DOCR has not ensured that its mandatory certification training is actually completed by those who need the training, which would not only better equip certifying authorities to determine an applicant's eligibility but also allow for timely processing. It also has not developed the "train-the-trainer" program to ensure the three Operating Administrations are providing consistent guidance and training to certification staff to support a thorough implementation of the DBE/ACDBE certification program. Our review identified a number of best practices for addressing these certification challenges.

FAA Is Unable To Effectively Track Certifying Authorities' Processing Times for DBE/ACDBE Applications

FAA is unable to track certifying authorities' processing times for DBE/ACDBE applications to ensure they meet regulatory timeframes. This is primarily because DOCR has not provided clear guidance to certifying authorities to document when an application is complete and ready for processing. Instead, the guidance only requires the certifying authority to notify the applicant of when it receives their submission and whether it is complete. If additional documents are needed, there is no further guidance requiring the certifying authority to again notify the firm that the application is complete upon receiving all missing documents. As a result, we found that six of eight certifying authorities in our sample had insufficient documentation to consistently determine processing times. According to Federal regulations, upon receipt of all information required to complete an application, certifying authorities have 90 days to process instate applications and 60 days to process interstate applications.[22] The date upon which the application is complete is an important metric because it begins the clock on the processing requirement of either 60 or 90 days and ends when the certifying authority makes a decision.

Without an established requirement for documenting when the application is complete, FAA instead relies on alternative information sources—such as the date of the last correspondence with the applicant (e.g., a letter or an email)—to assess processing times during its certification reviews. However, we found that these sources are often incomplete or inaccurate. For example, at one certifying authority, a specialist, prior to leaving her position, did not document her correspondence with the applicant in the certification file—making it impossible to verify when the application was complete or the processing time. At another certifying authority, specialists pointed to site visit dates as a way to estimate when the application was complete. Yet, we found site visits—which are one of the last steps in the certification process—can occur well after an applicant has supplied all required documents.

We also found that FAA only conducted 7 certification reviews of the over 100 certifying authorities nationwide between fiscal years 2012 and 2015. Moreover, while FAA, FHWA, and FTA share responsibility for reviewing these certifying authorities, DOCR and FAA officials noted that there is no joint plan for coordinating oversight resources or ensuring all authorities are regularly examined. Finally, even when FAA conducts a review, it does not always identify deficiencies in processing times. For example, in two reviews, FAA reported no deficiencies at either of the certifying authorities for processing in-state

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[22] 49 C.F.R. §§ 26.83(k) and. § 26.85(d)(3) and (4).

applications. However, we found that the processing times for both certifying authorities exceeded the 90-day Federal requirement. We also found[23] that seven of eight sampled certifying authorities did not always meet mandated timeframes for processing in-state applications (see table 3).

Table 3. Late Processing of DBE/ACDBE Applications

Location of Certifying Authority*	In-state applications (90-day processing timeframe)		Interstate applications (60-day processing timeframe)	
	>90 Days	*Total Reviewed*	*>60 Days*	*Total Reviewed*
California**	1	9	0	3
Florida	5	10	0	3
Maryland***	9	10	4	5
New York/New Jersey	4	9	0	3
Oregon***	4	8	1	3
Texas	5	10	2	6
Virginia	1	10	3	6
Washington	0	9	0	6
Total	**29**	**75**	**10**	**35**

* We visited one certifying authority in each of these States.
** Six of 12 applications did not have all the required documents prior to the determination of eligibility.
*** Maryland and Oregon documented the date in which all required documents had been received.
Source: OIG-gathered data and analysis.

Meeting processing times is important because applicants may miss opportunities to compete as DBE/ACDBEs in federally funded contracts or leases due to delays in achieving certification. Missing such opportunities—especially for small and disadvantaged businesses—can result in economic hardships and hamper their ultimate success in the DBE/ACDBE program.

DOCR Has Not Ensured Certifying Authority Staff Complete Mandatory Training or Developed a Train-the-Trainer Program

The FAA Modernization and Reform Act of 2012 required that the Secretary of Transportation establish a mandatory training program to ensure certifying authority staff can accurately determine a firm's eligibility to participate in the

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[23] In the absence of a consistent method for documenting when applications were complete, we calculated approximate processing times for eight certifying authorities. To do so, we used the next best option in determining whether the application was complete, which usually entailed the certifying authority's last request for additional documents from the firm.

DBE/ACDBE program at the Nation's airports. The mandatory training requirement is intended to ensure that certifying authorities are better equipped to determine whether an applicant is eligible for certification and is an important tool to help detect DBE fraud. In response to this requirement, FAA developed nine training modules, held four training events for certifying authority staff in 2013, and kept a list of staff who needed and completed the training between 2013 and 2014. In July 2014, the certification staff training and staff list were transferred from FAA to DOCR, which now hosts the training modules online. The training was transferred to increase availability for all three Operating Administrations and certifying authorities as well as to allow DOCR the ability to make subsequent modifications or enhancements to the training.

However, DOCR has not ensured that certifying authorities' staffs complete the mandatory certification training. This is primarily due to the following two issues.

- First, communication about the training is inadequate, as DOCR does not currently publicize what courses are considered mandatory or ensure that those who should be taking the training are doing so. Moreover, although it is possible to track the employees who have completed the online training, DOCR has not done so.

- Second, DOCR has not maintained an updated list of active certifying authorities and their staff, making it difficult to ensure employees receive required training and are proficient in their key duties of determining an applicant's eligibility. DOCR currently has a list of 158 certifying authorities. However, this list is only based on certifying authorities involved in appeals from denied firms[24] and therefore may not reflect certifying authorities who are no longer in operation or who never had an appeal. In addition, many State UCPs—which are required to include a list of certifying authorities for each State—are outdated. For example, California's UCP (dated 2006), lists 14 certifying authorities versus 11 that were active in 2015, while the State's public Website lists 10 active certifying authorities. Having updated lists of certifying authorities is critical to track which personnel need certification training—especially given the high turnover among certification staff. All eight certifying authorities we visited experienced significant employee turnover between 2012 to 2015—from 67 percent to as much as 175 percent (see exhibit F). Without the ability to effectively track training needs, DOCR cannot fully mitigate the risk of ineligible DBE certification or potential instances of fraud.

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[24] Under 49 C.F.R. § 26.89, DOCR is responsible for processing all appeals of denial of DBE certification or removal of certification by a certifying authority.

We found a number of problems that might have been avoided if DOCR had ensured the mandatory training was taken. For example, 1 firm was certified in 13 States but denied in 3 others because of inconsistent interpretation of the application—specifically, the support for what demonstrates ownership. Another certifying authority approved applications without collecting and reviewing all required documents. Finally, several certifying authorities experienced problems obtaining documents requested by another State—ranging from refusal to provide them, delayed response times, or incomplete/illegible reports—despite Federal regulations that they be provided.[25]

While the original nine training modules have generally been well received, several officials at certifying authorities expressed the need for more advanced training on complex certification topics—such as the examination of business structures/affiliations, reviews of personal net worth, verification of ownership and control, detailed site-visit reports, and fraud awareness. In one example, the lack of advanced training in evaluating personal net worth was a factor in one certifying authority taking over 4 months to review an owner's financial statement.

Another significant concern is that DOCR has not developed a program to train the FAA, FHWA, and FTA instructors who provide guidance and training to the certifying authorities—a DOT Order requirement since 2014. This train-the-trainer program is intended to ensure that DOT staff across the three Operating Administrations involved in overseeing certifying authorities understand the DBE/ACDBE regulatory framework, the roles and responsibilities of internal and external stakeholders, and consistently communicate DOT requirements regarding DBE/ACDBE program compliance across the Department. According to a DOCR official, they are still in the early stages of assessing how best to implement the train-the-trainer program. However, without this program, DOCR cannot ensure consistent and thorough implementation of the DBE/ACDBE certification program.

Best Practices Exist for Helping Overcome Certification Challenges

We identified the following best practices for addressing common barriers that make the DBE/ACDBE certification process difficult for certification staff and applicants:

- One State established a training committee and a mentoring program to help new certification staff transition into their jobs. One State official noted that

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[25] Under Title 49 C.F.R. § 26.85(d)(1), the State certifying authority doing the initial certification is required to provide copies of the site review report and any evaluation of the firm based on that report within 7 days of receiving the request from another State.

mentors help because many of their certifying authorities are staffed by only one person, and most new hires do not have DBE-related work experience. The same State is also active in succession planning, to address staff turnover.

- Some certifying authorities use templates and electronic entry for notes in drafting their on-site reports. In these reports—part of the eligibility determination process—certifying staff document the visit to that applicant's place of business. We found that certifiers could not always rely on the on-site reports performed by other states because they were either incomplete or hard to read if handwritten. This lack of consistency presents a barrier to the interstate certification process when illegible on-site reports are forwarded from one certifying authority to another, which may result in the application being denied or delayed.

- Some certifying authorities provide assistance to applicants. For example, one certifying authority provides pre-application training sessions for local firms seeking DBE/ACDBE certification. The training focuses on what to expect during the certification process, such as how to complete the Federal application. This certifying authority has also implemented an electronic application with tutorials for the application process.

- Two certifying authorities from our sample, Maryland and Oregon, effectively documented the completion dates for required information and can therefore inform applicants if their applications were or were not processed within DOT regulated time limits. Once all information is received as required, Maryland notifies the applicant via email, telephone and/or letter. The official completion date is documented in an automated system and processing begins. Oregon also documents the official completion date in an automated system. However, Oregon's automated system provides an extra safeguard as the system does not allow an application to be submitted until all required documents have been attached.

CONCLUSION

The Department's DBE/ACDBE program plays a key role in helping small and disadvantaged businesses receive equal opportunities at the Nation's largest airports. While the amount of Federal funds going to these airports has remained relatively constant, we found that the number of new DBE/ACDBE entrants at these airports has declined significantly over the 3 years we reviewed. While our first two reports identified a number of barriers that impede these new firms in obtaining airport work, these barriers alone may not fully explain declines in the participation of both existing and new DBE firms. As such, DOT's oversight and analysis of these trends and their contributing factors will be critical in assessing

the program's overall success in the years to come. Likewise, consistent communication of the Department's DBE/ACDBE certification and training requirements and the development of its "train the trainer" program are vital to help minimize the risk of future DBE/ACDBE fraud.

RECOMMENDATIONS

We recommend that the Director, Departmental Office of Civil Rights and the Federal Aviation Administrator:

1. Update the current list of active certifying authorities for each State Unified Certification Program and implement procedures for regularly maintaining and publishing the list.

2. Issue guidance to certifying authorities on steps to take to ensure compliance with the regulatory requirements for the timely processing of all applications for certification.

3. Require FAA, FHWA, and FTA to develop and implement a joint plan and schedule for reviewing certifying authorities within the 52 UCPs. Include within the joint plan an assessment of whether required timeframes for processing certification applications are being met and whether mandatory certification training is being completed.

4. Establish procedures to periodically review, update, and publish the mandatory certification training program required by the FAA Modernization Reform Act of 2012.

5. Issue guidance to certifying authorities on the steps they must take to ensure persons performing certification functions or involved in the certification process are properly trained prior to being allowed to approve applications.

6. Institute procedures for maintaining a current list of certification staff who need and have completed the mandatory training.

7. Develop and implement an advanced training program on topics requested by certifying authorities, identified in compliance reviews, determined by DOCR, or identified in this report (i.e., the examination of business structures/affiliations, reviews of personal net worth, verification of ownership and control, detailed site-visit reports, and fraud awareness).

8. Develop and implement a "train the trainer" program for the three Operating Administrations to deliver consistent guidance and training to their recipients on all aspects of the DBE program.

9. Publicize best practices such as those identified in this report relating to certification practices.

We also recommend that Federal Aviation Administrator:

10. Implement a process to periodically monitor, analyze, and report to DOCR on significant or noteworthy changes in DBE participation at the large and medium hub airports. As part of this process, include a requirement that FAA's reports to DOCR identify the reasons noted by recipients for drops in participation and recommend actions to address them, as appropriate.

11. Require certification reviews to assess whether the certifying authority is (a) meeting required timeframes for processing in-state and interstate applications and (b) ensuring staff have completed mandatory certification training.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We provided DOCR and FAA with our draft report on November 22, 2016, and received its response on December 21, 2016, which is included as an appendix to this report. DOCR and FAA concurred with all 11 recommendations and proposed appropriate actions and completion dates. Accordingly, we consider all recommendations as resolved but open pending completion of the planned actions.

We appreciate the courtesies and cooperation of Department and FAA representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5225, or Darren Murphy, Program Director, at (206) 220-6503.

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cc: DOT Audit Liaison (M-1)
    FAA Audit Liaison (AAE-100)

EXHIBIT A. SCOPE AND METHODOLOGY

We conducted our work from August 2015 through November 2016 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 the number of existing DBE and ACDBE firms and associated contracts or lease revenue for the 65 large and medium airports, we collected from FAA's Office of Civil Rights (OCR) participation data for fiscal year 2014. The data consisted of both the overall DBE reporting for each of the 65 airports and the detailed firm data supporting each airport's reporting.

To determine the number of new DBE/ACDBE firms (as well as validate the fiscal year 2014 airport reporting), we compiled the detailed DBE/ACDBE firm listings for each of the 65 largest airports in our universe and sent this information to each of those airports' DBE Liaison Officers (DBELO) to have them identify which firms they believed to be new to the DBE/ACDBE programs in fiscal year 2014 as well as clarify any discrepancies in the data. This resulted in preliminary identification of 39 DBE and 42 ACDBE firms. We then contacted these firms to determine if they were new to DOT's DBE program (not just FAA). For those firms identified as new, we also determined if they were veteran owned businesses.

We compared the 2014 data with the 2 previous years—2012 and 2013—to show 3 years of DBE/ACDBE participation for both new and existing firms. Based on our analyses, the 65 airports in our universe were grouped into three categories—increase in DBE participation, decrease in DBE participation, or no DBE participation between fiscal years 2012 to 2014. OIG's statistician drew a stratified probability proportional to size sample of 10 airports—up to 4 airports per category, where size was the change in total value of contract awards to all DBEs between fiscal years 2012 and 2014. We then interviewed representatives from the 10 sampled airports (or obtained emailed responses to our questions) to determine which factors contributed to the overall DBE participation at each airport.

To select the state certifying authorities to conduct our site visits, we used a risk assessment approach which considered DOCR complaint data, interviews with DOT's Office of General Counsel, DBE fraud data from OIG investigations, and new firm information obtained from the prior two audits. We were limited to only nine states by the Paperwork Reduction Act. We selected state certifying authorities to visit based on the following: (1) States with the most airport

coverage, (2) States that were drivable for local travel versus flying, and (3) States with a higher potential for handling interstate certifications.

To assess certification factors that aided or hampered new DBE/ACDBE firms that pursued contracts or leases at these airports, we visited eight certifying authorities where we interviewed staff as well as reviewed application files of approved and denied applications. Additionally, we met with key stakeholders outside airports (e.g., DOT, FAA, and DBE applicant firms) to obtain their perspectives on certifications barriers to new DBE/ACDBE participation.

To select files for review at the eight certifying authorities, OIG obtained from each site a list of successful and unsuccessful DBE/ACDBEs applicants from fiscal year 2012 to present. Using EZ-Quant software, the OIG statistician then drew a random sample of firms at each certifying authority grouped in one of four categories—successful in-state applicants, unsuccessful in-state applicants, successful out of state applicants, and unsuccessful out of state applicants. Our total sample size was 110 out of 4,853 application files. To determine a firm's experience with the application process at their respective certifying authorities, we emailed a questionnaire to 110 firm owners. For the 40 firms which responded, we collected and analyzed their responses in order to determine any issues that aided or hampered a firm's application process for the program.

Exhibit A. Scope and Methodology

EXHIBIT B. ENTITIES VISITED OR CONTACTED

U.S. Department of Transportation Office of the Secretary Office of the General Counsel

U.S. Department of Transportation Office of the Secretary Departmental Office of Civil Rights

U.S. Department of Transportation Federal Aviation Administration

Airport Minority Advisory Council

Broward County Florida Office of Economic and Small Business Development

Maryland State Department of Transportation Office of Minority Business Enterprise

Metropolitan Washington Airports Authority Equal Opportunity Programs

North Central Texas Regional Certification Agency

Oregon State Office of Minority, Women, and Emerging Small Business

Port Authority of New York and New Jersey Office of Business Diversity and Civil Rights

San Francisco International Airport Small Business Affairs Office

Washington State Office of Minority and Women's Business Enterprises

EXHIBIT C. NUMBER OF NEW DBE FIRMS AT THE 65 LARGEST AIRPORTS IN FISCAL YEARS 2012, 2013, AND 2014

	Airport	Number of New DBEs			Change in Number of New DBEs		
		FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
1	Albuquerque, NM	1	0	0	-1	0	-1
2	Anchorage, AK	0	0	0	0	0	0
3	Atlanta, GA	0	4	1	4	-3	1
4	Austin, TX	1	0	0	-1	0	-1
5	Baltimore, MD	2	0	2	-2	2	0
6	Boston, MA	0	0	0	0	0	0
7	Buffalo, NY	1	1	0	0	-1	-1
8	Burbank, CA	2	0	0	-2	0	-2
9	Charlotte, NC	0	0	0	0	0	0
10	Chicago Midway, IL	0	0	0	0	0	0
11	Chicago O'Hare, IL	2	0	0	-2	0	-2
12	Cincinnati, OH	0	0	0	0	0	0
13	Cleveland, OH	2	2	0	0	-2	-2
14	Columbus, OH	0	0	0	0	0	0
15	Dallas Love Field, TX	0	0	0	0	0	0
16	Dallas/Fort Worth, TX	0	0	0	0	0	0
17	Denver, CO	0	3	0	3	-3	0
18	Detroit, MI	3	1	0	-2	-1	-3
19	Fort Lauderdale, FL	1	1	0	0	-1	-1
20	Fort Myers, FL	0	0	0	0	0	0
21	Hartford, CT	0	0	0	0	0	0
22	Honolulu, HI	0	0	0	0	0	0
23	Houston Bush Intercontinental, TX	0	1	0	1	-1	0
24	Houston Hobby, TX	0	0	0	0	0	0
25	Indianapolis, IN	2	0	0	-2	0	-2
26	Jacksonville, FL	0	0	0	0	0	0
27	John F. Kennedy, NY	1	0	0	-1	0	-1
28	John Wayne-Orange County, CA	0	0	1	0	1	1
29	Kahului, HI	0	0	0	0	0	0

Exhibit C. Number of New DBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

	Airport	Number of New DBEs			Change in Number of New DBEs		
		FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
30	Kansas City, MO	0	1	0	1	-1	0
31	La Guardia, NY	0	0	0	0	0	0
32	Las Vegas, NV	0	0	1	0	1	1
33	Los Angeles, CA	1	1	0	0	-1	-1
34	Memphis, TN	0	0	0	0	0	0
35	Miami, FL	3	0	0	-3	0	-3
36	Milwaukee, WI	3	2	0	-1	-2	-3
37	Minneapolis, MN	1	0	0	-1	0	-1
38	Nashville, TN	2	0	0	-2	0	-2
39	New Orleans, LA	3	0	0	-3	0	-3
40	Newark, NJ	0	0	0	0	0	0
41	Oakland, CA	0	0	0	0	0	0
42	Omaha, NE	0	0	0	0	0	0
43	Ontario, CA	0	0	0	0	0	0
44	Orlando, FL	0	0	0	0	0	0
45	Palm Beach, FL	1	0	0	-1	0	-1
46	Philadelphia, PA	3	0	0	-3	0	-3
47	Phoenix, AZ	6	1	0	-5	-1	-6
48	Pittsburgh, PA	1	0	0	-1	0	-1
49	Portland, OR	0	0	0	0	0	0
50	Providence, RI	0	0	0	0	0	0
51	Raleigh-Durham, NC	0	0	0	0	0	0
52	Reno, NV	0	0	0	0	0	0
53	Sacramento, CA	1	0	0	-1	0	-1
54	Salt Lake City, UT	1	1	0	0	-1	-1
55	San Antonio, TX	0	0	2	0	2	2
56	San Diego, CA	0	0	0	0	0	0
57	San Francisco, CA	1	0	0	-1	0	-1
58	San Jose, CA	0	0	0	0	0	0
59	San Juan, PR	0	0	2	0	2	2
60	Seattle, WA	0	0	0	0	0	0
61	St. Louis, MO	0	0	0	0	0	0
62	Tampa, FL	0	3	2	3	-1	2

Exhibit C. Number of New DBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

	Airport	Number of New DBEs			Change in Number of New DBEs		
		FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
63	Tucson, AZ	0	0	0	0	0	0
64	Washington Dulles, VA	0	0	0	0	0	0
65	Washington Reagan, DC	1	2	0	1	-2	-1

Source: OIG analysis of FAA data

Exhibit C. Number of New DBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

EXHIBIT D. NUMBER OF NEW ACDBE FIRMS AT THE 65 LARGEST AIRPORTS IN FISCAL YEARS 2012, 2013, AND 2014

	Airport	Number of New ACDBEs			Change in Number of New ACDBEs		
		FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
1	Albuquerque, NM	0	0	0	0	0	0
2	Anchorage, AK	0	0	0	0	0	0
3	Atlanta, GA	10	0	0	-10	0	-10
4	Austin, TX	0	0	0	0	0	0
5	Baltimore, MD	0	0	2	0	2	2
6	Boston, MA	0	0	1	0	1	1
7	Buffalo, NY	0	0	0	0	0	0
8	Burbank, CA	0	0	0	0	0	0
9	Charlotte, NC	0	3	1	3	-2	1
10	Chicago Midway, IL	0	0	0	0	0	0
11	Chicago O'Hare, IL	0	0	2	0	2	2
12	Cincinnati, OH	0	0	0	0	0	0
13	Cleveland, OH	0	0	0	0	0	0
14	Columbus, OH	0	1	0	1	-1	0
15	Dallas Love Field, TX	1	0	0	-1	0	-1
16	Dallas/Fort Worth, TX	0	0	0	0	0	0
17	Denver, CO	0	2	5	2	3	5
18	Detroit, MI	1	2	1	1	-1	0
19	Fort Lauderdale, FL	0	0	1	0	1	1

Exhibit D. Number of New ACDBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

		Number of New ACDBEs			Change in Number of New ACDBEs		
	Airport	FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
20	Fort Myers, FL	0	0	0	0	0	0
21	Hartford, CT	0	0	0	0	0	0
22	Honolulu, HI	0	0	0	0	0	0
23	Houston Bush Intercontinental, TX	0	1	0	1	-1	0
24	Houston Hobby, TX	0	0	0	0	0	0
25	Indianapolis, IN	0	0	1	0	1	1
26	Jacksonville, FL	0	0	0	0	0	0
27	John F. Kennedy, NY	0	0	1	0	1	1
28	John Wayne-Orange County, CA	1	0	0	-1	0	-1
29	Kahului, HI	0	0	0	0	0	0
30	Kansas City, MO	0	0	0	0	0	0
31	La Guardia, NY	0	0	0	0	0	0
32	Las Vegas, NV	0	0	0	0	0	0
33	Los Angeles, CA	0	0	0	0	0	0
34	Memphis, TN	0	0	1	0	1	1
35	Miami, FL	4	2	0	-2	-2	-4
36	Milwaukee, WI	1	0	1	-1	1	0
37	Minneapolis, MN	0	0	0	0	0	0
38	Nashville, TN	0	0	0	0	0	0
39	New Orleans, LA	1	1	0	0	-1	-1

Exhibit D. Number of New ACDBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

		Number of New ACDBEs			Change in Number of New ACDBEs		
	Airport	FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
40	Newark, NJ	0	0	0	0	0	0
41	Oakland, CA	0	0	0	0	0	0
42	Omaha, NE	0	0	0	0	0	0
43	Ontario, CA	0	0	0	0	0	0
44	Orlando, FL	0	0	1	0	1	1
45	Palm Beach, FL	2	0	0	-2	0	-2
46	Philadelphia, PA	0	0	0	0	0	0
47	Phoenix, AZ	8	0	0	-8	0	-8
48	Pittsburgh, PA	0	0	0	0	0	0
49	Portland, OR	0	0	0	0	0	0
50	Providence, RI	0	0	0	0	0	0
51	Raleigh-Durham, NC	0	1	0	1	-1	0
52	Reno, NV	0	1	0	1	-1	0
53	Sacramento, CA	2	0	0	-2	0	-2
54	Salt Lake City, UT	0	0	0	0	0	0
55	San Antonio, TX	2	0	0	-2	0	-2
56	San Diego, CA	0	1	0	1	-1	0
57	San Francisco, CA	2	2	0	0	-2	-2
58	San Jose, CA	1	0	0	-1	0	-1
59	San Juan, PR	0	0	0	0	0	0
60	Seattle, WA	0	1	1	1	0	1

Exhibit D. Number of New ACDBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

	Airport	Number of New ACDBEs			Change in Number of New ACDBEs		
		FY2012	FY2013	FY2014	FY12–13	FY13–14	FY12–14
61	St. Louis, MO	0	0	2	0	2	2
62	Tampa, FL	1	0	0	-1	0	-1
63	Tucson, AZ	0	0	0	0	0	0
64	Washington Dulles, VA	0	0	1	0	1	1
65	Washington Reagan, DC	0	0	1	0	1	1

Source: OIG analysis of FAA data

Exhibit D. Number of New ACDBE Firms at the 65 Largest Airports in Fiscal Years 2012, 2013, and 2014

EXHIBIT E. NUMBER OF NEW AND EXISTING DBE/ACDBE FIRMS AT THE 65 LARGEST AIRPORTS IN FISCAL YEAR 2014, INCLUDING CONTRACT AWARDS AND LEASE REVENUE

	Airport	Total number of new DBE/ ACDBE firms	DBE				ACDBE			
			Number of new DBEs	Total number of all DBEs	Total value of contract awards to new DBEs	Total value of contract awards to all DBEs	Number of new ACDBEs	Total number of all ACDBEs	Lease revenue to new ACDBEs	Total lease revenue to all ACDBEs
1	Albuquerque, NM	0	0	2	$0	$723,081	0	4	$0	$18,893,863
2	Anchorage, AK	0	0	3	$0	$10,514,796	0	4	$0	$2,628,918
3	Atlanta, GA	1	1	21	$40,000	$16,028,365	0	46	$0	$291,851,893
4	Austin, TX	0	0	0	$0	$0	0	24	$0	$33,236,381
5	Baltimore, MD	4	2	13	$383,973	$7,406,480	2	24	$2,876,933	$46,005,413
6	Boston, MA	1	0	2	$0	$832,990	1	15	$89,963	$30,030,873
7	Buffalo, NY	0	0	4	$0	$548,742	0	4	$0	$9,213,985
8	Burbank, CA	0	0	0	$0	$0	0	5	$0	$14,299,092
9	Charlotte, NC	1	0	10	$0	$1,951,847	1	25	$73,710	$37,546,576
10	Chicago Midway, IL	0	0	7	$0	$12,999,642	0	16	$0	$31,014,893
11	Chicago O'Hare, IL	2	0	17	$0	$46,484,965	2	36	$2,854,021	$169,731,184
12	Cincinnati, OH	0	0	1	$0	$1,380,151	0	4	$0	$916,546
13	Cleveland, OH	0	0	3	$0	$86,801	0	16	$0	$15,671,274
14	Columbus, OH	0	0	0	$0	$0	0	11	$0	$3,653,857
15	Dallas Love Field, TX	0	0	12	$0	$5,910,659	0	19	$0	$29,598,319
16	Dallas/Fort Worth, TX	0	0	13	$0	$11,478,647	0	37	$0	$192,280,430

Exhibit E. Number of New and Existing DBE/ACDBE Firms at the 65 Largest Airports in Fiscal Year 2014, Including Contract Awards and Lease Revenue

	Airport	Total number of new DBE/ ACDBE firms	DBE				ACDBE			
			Number of new DBEs	Total number of all DBEs	Total value of contract awards to new DBEs	Total value of contract awards to all DBEs	Number of new ACDBEs	Total number of all ACDBEs	Lease revenue to new ACDBEs	Total lease revenue to all ACDBEs
17	Denver, CO	5	0	10	$0	$2,515,723	5	55	$14,348	$135,162,207
18	Detroit, MI	1	0	21	$0	$4,903,369	1	33	$15,624	$68,762,059
19	Fort Lauderdale, FL	1	0	2	$0	$1,113,512	1	34	$10,900	$38,177,555
20	Fort Myers, FL	0	0	7	$0	$124,555	0	9	$0	$14,635,337
21	Hartford, CT	0	0	6	$0	$681,094	0	2	$0	$2,811,423
22	Honolulu, HI	0	0	1	$0	$1,050,000	0	5	$0	$24,327,610
23	Houston Bush Intercontinental, TX	0	0	0	$0	$0	0	53	$0	$147,368,044
24	Houston Hobby, TX	0	0	0	$0	$0	0	19	$0	$34,964,810
25	Indianapolis, IN	1	0	18	$0	$1,844,658	1	10	$705,850	$4,636,242
26	Jacksonville, FL	0	0	10	$0	$592,639	0	22	$0	$28,834,123
27	John F. Kennedy, NY	1	0	9	$0	$14,188,484	1	27	$285,112	$121,496,470
28	John Wayne-Orange County, CA	1	1	1	$3,400	$3,400	0	5	$0	$6,409,565
29	Kahului, HI	0	0	0	$0	$0	0	3	$0	$3,645,369
30	Kansas City, MO	0	0	3	$0	$480,149	0	2	$0	$7,340,374
31	La Guardia, NY	0	0	0	$0	$0	0	9	$0	$20,057,521
32	Las Vegas, NV	1	1	5	$246,000	$3,949,582	0	21	$0	$86,213,493
33	Los Angeles, CA	0	0	0	$0	$0	0	18	$0	$184,163,463
34	Memphis, TN	1	0	13	$0	$4,296,963	1	12	$33,824	$4,512,313

Exhibit E. Number of New and Existing DBE/ACDBE Firms at the 65 Largest Airports in Fiscal Year 2014, Including Contract Awards and Lease Revenue

	Airport	Total number of new DBE/ ACDBE firms	DBE				ACDBE			
			Number of new DBEs	Total number of all DBEs	Total value of contract awards to new DBEs	Total value of contract awards to all DBEs	Number of new ACDBEs	Total number of all ACDBEs	Lease revenue to new ACDBEs	Total lease revenue to all ACDBEs
35	Miami, FL	0	0	0	$0	$0	0	43	$0	$160,545,733
36	Milwaukee, WI	1	0	19	$0	$2,542,844	1	9	$24,539	$6,005,892
37	Minneapolis, MN	0	0	12	$0	$646,038	0	10	$0	$28,005,270
38	Nashville, TN	0	0	9	$0	$2,534,472	0	11	$0	$10,009,267
39	New Orleans, LA	0	0	0	$0	$0	0	25	$0	$20,073,308
40	Newark, NJ	0	0	0	$0	$0	0	22	$0	$89,808,945
41	Oakland, CA	0	0	1	$0	$2,648,754	0	9	$0	$12,263,744
42	Omaha, NE	0	0	1	$0	$778,361	0	3	$0	$2,775,426
43	Ontario, CA	0	0	3	$0	$761,686	0	5	$0	$3,587,158
44	Orlando, FL	1	0	7	$0	$1,234,313	1	23	$203,817	$65,229,705
45	Palm Beach, FL	0	0	2	$0	$61,150	0	13	$0	$8,763,082
46	Philadelphia, PA	0	0	11	$0	$7,994,912	0	37	$0	$79,555,498
47	Phoenix, AZ	0	0	18	$0	$1,400,589	0	24	$0	$51,414,695
48	Pittsburgh, PA	0	0	0	$0	$0	0	12	$0	$16,535,015
49	Portland, OR	0	0	2	$0	$194,159	0	9	$0	$27,366,062
50	Providence, RI	0	0	11	$0	$1,792,000	0	0	$0	$0
51	Raleigh-Durham, NC	0	0	0	$0	$0	0	18	$0	$35,218,089
52	Reno, NV	0	0	0	$0	$0	0	4	$0	$3,535,260
53	Sacramento, CA	0	0	0	$0	$0	0	2	$0	$1,188,949

Exhibit E. Number of New and Existing DBE/ACDBE Firms at the 65 Largest Airports in Fiscal Year 2014, Including Contract Awards and Lease Revenue

|	Airport	Total number of new DBE/ ACDBE firms	DBE				ACDBE			
			Number of new DBEs	Total number of all DBEs	Total value of contract awards to new DBEs	Total value of contract awards to all DBEs	Number of new ACDBEs	Total number of all ACDBEs	Lease revenue to new ACDBEs	Total lease revenue to all ACDBEs
54	Salt Lake City, UT	0	0	11	$0	$2,171,898	0	10	$0	$32,334,544
55	San Antonio, TX	2	2	22	$29,319	$4,761,697	0	26	$0	$34,260,157
56	San Diego, CA	0	0	2	$0	$644,618	0	13	$0	$26,963,821
57	San Francisco, CA	0	0	1	$0	$670,000	0	15	$0	$45,640,521
58	San Jose, CA	0	0	0	$0	$0	0	8	$0	$18,049,510
59	San Juan, PR	2	2	5	$124,600	$1,156,965	0	2	$0	$203,575
60	Seattle, WA	1	0	1	$0	$33,179	1	16	$249,317	$49,662,110
61	St. Louis, MO	2	0	4	$0	$348,427	2	14	$350,086	$21,879,391
62	Tampa, FL	2	2	9	$5,745	$622,384	0	24	$0	$23,381,160
63	Tucson, AZ	0	0	7	$0	$1,189,284	0	2	$0	$2,055,326
64	Washington Dulles, VA	1	0	5	$0	$1,265,527	1	34	$7,037,365	$60,489,169
65	Washington Reagan, DC	1	0	0	$0	$0	1	31	$7,308,196	$45,899,198
	Totals	**32**	**11**	**377**	**$833,037**	**$187,544,552**	**21**	**1,103**	**$22,133,605**	**$2,842,791,056**

Source: OIG analysis of FAA data.

Exhibit E. Number of New and Existing DBE/ACDBE Firms at the 65 Largest Airports in Fiscal Year 2014, Including Contract Awards and Lease Revenue

EXHIBIT F. CERTIFYING AUTHORITY TURNOVER

Percent of Employee Turnover at Eight Certifying Authorities** between 2012 and 2015*
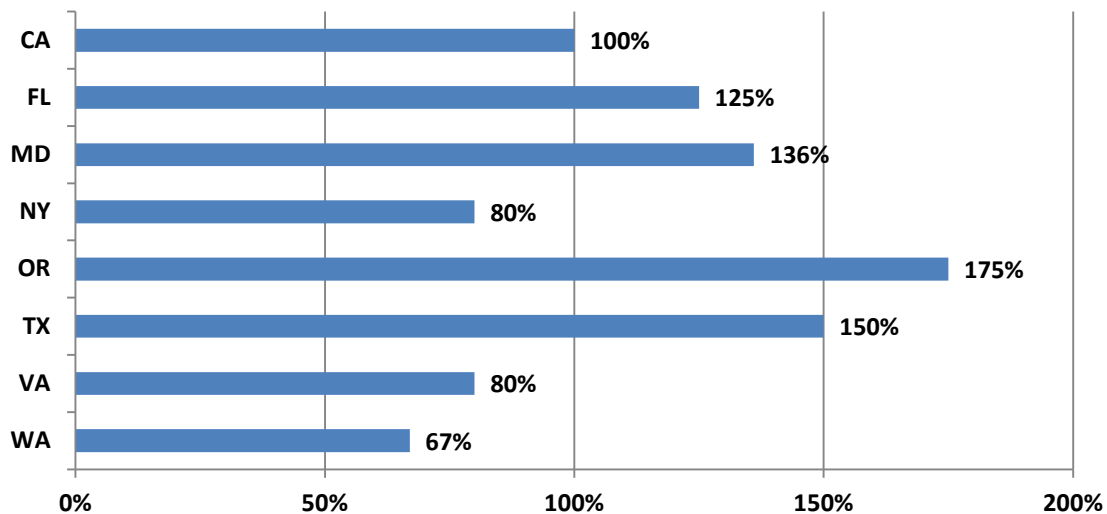
*Turnover included staff, managers, and directors.
**We visited one certifying authority in each of these States.
Source: OIG gathered data and analysis.

Exhibit F. Certifying Authority Turnover

EXHIBIT G. MAJOR CONTRIBUTORS TO THIS REPORT

Name	Title
Darren Murphy	Program Director
Ann Wright	Project Manager
Curtis Dow	Senior Analyst
Allison Robinson	Senior Auditor
Teri Vogliardo	Senior Analyst
Gloria Muhammad	Auditor
Daniel Fox	Analyst
Nick Coates	Senior Counsel
Andrea Nossaman	Senior Writer-Editor
Susan Neill	Writer-Editor
Makesi Ormond	Statistician

APPENDIX. AGENCY COMMENTS

U.S. Department of Transportation

Office of the Secretary
of Transportation

Memorandum

Subject: INFORMATION**:** Management Response -
Office of Inspector General (OIG) Draft Report
on New Disadvantaged Business Enterprise Participation
at the Nation's Largest Airports

Date: December 21, 2016

From: Leslie M. Proll
Director, Departmental Office of Civil Rights

To: Mary Kay Langan-Feirson
Assistant Inspector General for Acquisition and Procurement Audits

The U.S. Department of Transportation's (DOT) Disadvantaged Business Enterprise (DBE) program is DOT's most successful tool to remedy past and ongoing discrimination against small and disadvantaged minority and women entrepreneurs competing for Federal contracts funded by the Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), and Federal Transit Administration (FTA). In fiscal year 2015, DBEs successfully competed for nearly $4.8 billion in DOT contracts involving construction projects initiated by state and local agencies, public transit and airport agencies. During this same period nearly $2.5 billion in concession revenues went to Airport Concession Disadvantaged Business Enterprises (ACDBEs) through FAA's ACDBE program. We exercise vigorous management and oversight over the DBE program through our enforcement, outreach, and technical assistance efforts. DOT's recent activities to enhance the DBE program include the following:

- **Strengthened Stewardship of the DBE program**. The Department issued guidance to recipients and stakeholders in 2016 addressing: (1) prompt payment by prime contractors for work performed by DBE firms; (2) how Alaska Native Corporations that self-certify in the Small Business Administration's small disadvantaged business enterprise (SDB) program may obtain DBE certification; and (3) good faith effort obligations of car rental companies to meet ACDBE goals at an airport. Further, the FAA continued to improve its web-based dbE-Connect compliance tracking system by implementing tools to enhance participation data quality and to provide a compliance check function prior to issuing grants.

Appendix. Agency Comments

- **Conducted Nationwide Training to Recipients**. In 2015 and 2016, the Department and its Operating Administrations (OAs) trained over 500 DBE program practitioners on the DBE Program and provided policy updates to over 3,000 stakeholders. The courses included sessions on interstate certification, DBE goal-setting, commercially useful function, DBE/ACDBE participation and fraud prevention techniques. The trainings also highlighted the important nexus between DBE firms and their involvement in multi-modal transportation activities and enhanced monitoring and enforcement by the OAs.

- **Provided Outreach to Stakeholders**. In October 2016, the Department held a DBE Summit to share best practices, facilitate stakeholder conversation, offer small group learning sessions, and provide small business owners the opportunity to garner needed information to effectively grow and sustain their businesses. The Department and its OAs also routinely participated in industry conferences and conducted several webinars with stakeholders. In addition, the FAA conducted several outreach sessions with airport car rental suppliers, auto dealers, car rental firms, and airport sponsors to discuss the opportunities and challenges surrounding the participation of ACDBEs in airport car rental concessions. As a result, FAA has a better understanding of the challenges faced in the airport car rental concessions industry and is able to identify reasonable solutions, such as specific training, to ensure compliance and create a level playing field so that ACDBEs can compete fairly for airport business opportunities.

Based upon our review of the draft report, we concur with the 11 recommendations as written. Target action dates for implementing the recommendations are as follows: Recommendations 1 by March 30, 2017; Recommendations 2, 4 – 6 by May 31, 2017; Recommendations 3 and 11 by June 30, 2017; and Recommendations 7 – 10 by September 30, 2017.

We will continue to strengthen our oversight of the DBE program and appreciate the opportunity to comment on the OIG draft report. Please contact, Marc Pentino, Lead Equal Opportunity Specialist, at (202) 366-6968 with any questions.

Appendix. Agency Comments