

**FAA'S MANAGEMENT OF AND CONTROL
OVER MEMORANDUMS OF
UNDERSTANDING**

Federal Aviation Administration

Report Number: AV-2003-059

Date Issued: September 12, 2003




Memorandum

U.S. Department of
Transportation

Office of the Secretary
of Transportation
Office of Inspector General

Subject: ACTION: Report on FAA's Management of and
Control Over Memorandums of Understanding
AV-2003-059

Date: September 12, 2003

From: Alexis M. Stefani 
Principal Assistant Inspector General
for Auditing and Evaluation

Reply to
Attn. of: JA-10:X60500

To: Federal Aviation Administrator

This report presents the results of our audit of the Federal Aviation Administration's (FAA) management of and control over national, regional, and local Memorandums of Understanding (MOU) with the National Air Traffic Controllers Association (NATCA). Our objectives were to (1) evaluate FAA's process for negotiating, approving, and implementing MOUs outside the national collective bargaining agreement, and (2) identify any potential cost or operational impacts of local, regional, and national MOUs between FAA and NATCA. Exhibit A contains details on the scope and methodology we used in conducting the audit.

BACKGROUND

In 1998, under the authority of personnel reform, FAA and NATCA entered into a 5-year national collective bargaining agreement (CBA). The comprehensive agreement, which expires in September 2003, addressed many significant issues that were previously non-negotiable, including pay and benefits for controllers. Article 7 of the agreement allows FAA managers and NATCA representatives to enter into written agreements or MOUs outside the national CBA. MOUs are negotiated for issues that are not specifically addressed by the national agreement such as (1) changes in local working conditions, (2) implementation of new technology, and (3) training on new equipment. MOUs can be negotiated at the national, regional, or local level.

RESULTS IN BRIEF

We found FAA's processes for negotiating, approving, and implementing MOUs outside the national CBA with NATCA were inadequate. For example, at the time of our review, FAA had:

- no system to track MOUs, but estimated there could be anywhere between 1,000 and 1,500 MOUs Agency-wide;
- broad authority among managers to negotiate MOUs and commit the Agency;
- no requirement to include labor relations specialists in negotiations over MOUs;
- no standard guidance on how to negotiate, implement, or sign MOUs; and
- no requirement to estimate potential cost impacts prior to signing an MOU.

We recognize that MOUs can serve a legitimate purpose, and in fact, do in certain contexts. For example, we found MOUs that (1) establish local procedures for determining a facility's operational schedule or work shifts, (2) designate periods during the year when controllers are guaranteed at least two consecutive or non-consecutive weeks of annual leave, (3) outline both union and management's roles in developing and implementing new technology, and (4) set parameters for making changes to local working conditions such as facility upgrades. However, we also reviewed a number of MOUs that contained specific provisions that were not cost-effective and, in our opinion, were neither necessary nor in the best interest of the Government.

Because of the significant control weaknesses and budgetary impact, we briefed the FAA Administrator on our concerns in January 2003, 2 months after initiating this review. As a result of that meeting, FAA issued a new Agency directive, FAA Order 3710.18, "Internal Coordination Requirements for Negotiating Term and Mid-Term Agreements (Including Memoranda of Understanding and Memoranda of Agreement) with FAA Unions," which became effective June 1, 2003. The Order makes significant changes to the Agency's process for negotiating, approving, and implementing MOUs. For example, the Order now requires that:

- a labor-management relations specialist lead all national and regional negotiations;
- proposed MOUs be analyzed for affordability relative to anticipated funding levels;
- MOUs contain mandatory provisions, such as specific expiration dates; and
- copies of all national, regional, and local MOUs be sent to the Director of Labor and Employee Relations for inclusion in a national database, which is currently being developed.

In our opinion, these new procedures, if properly implemented, will provide FAA with much-needed controls over its MOU process. However, while the new procedures will affect future MOUs, previously negotiated MOUs will continue to impact the Agency unless they are modified or rescinded. During our review, we found several MOUs that had substantial cost implications for the Agency. For example,

- In July 1998, as part of the new controller pay system, FAA entered into a national MOU providing controllers with an additional cost-of-living adjustment. As a result, at 110 locations, controllers receive between 1 and 10 percent in “Controller Incentive Pay,” which is in addition to Government-wide locality pay. In addition, FAA management provided this additional cost-of-living allowance to air traffic field managers, supervisors, and specialists. In FY 2002, CIP cost FAA about \$35.5 million.

Although many agreements we reviewed had cost implications, we found no evidence that the budgetary impact of most agreements had been considered prior to committing the Agency. For example:

- In March 2001, FAA entered into a national MOU that allows controllers transferring to larger consolidated facilities to begin earning the higher salaries associated with their new positions substantially in advance of their transfer or taking on new duties. At one location, controllers received their full salary increases 1 year in advance of their transfer (in some cases going from an annual salary of around \$55,000 to over \$99,000). During that time, they remained in their old location, controlling the same airspace, and performing the same duties. At three locations alone, we found FAA incurred over \$2.2 million in unnecessary one-time costs as a result of this MOU.

We also reviewed several MOUs that FAA entered into that provided large incentives to controllers for simply meeting training milestones for new equipment. For example:

- One MOU (signed in October 2001) for a new free flight tool, User Request Evaluation Tool (URET), gave each controller two \$250 cash awards and a 24-hour time-off award for meeting certain training milestones on the new system. The MOU contained no distinction of awards for individual contributions other than coming to work and attending training. In fact, at 2 locations, 11 controllers received the total \$500 cash award and 16 controllers received the 24 hours of time-off even though they were on detail, on military leave, medically disqualified, or on workers’ compensation. At six facilities alone, this MOU resulted in FAA incurring approximately \$1.3 million in individual cash awards and 62,500 hours in time off, which is the equivalent of approximately 30 full-time positions.

- At Philadelphia, there was a verbal MOU that gave each employee \$1,000 in cash and 3 days off in connection with deployment of the new Standard Terminal Automation Replacement System (STARS). As a result of this agreement, FAA incurred \$114,000 in cash awards and 2,736 hours (the equivalent of approximately one full-time position) in time-off awards for 114 employees. Currently, STARS is scheduled to be deployed to more than 170 terminal facilities, and it is unclear if FAA will enter into similar agreements at other locations.

We also found that FAA entered into MOUs that restricted management's ability to monitor workforce productivity. For example:

- FAA is developing a labor distribution system, called CRU-X, which would account for and distribute its labor costs, including the costs of FAA's 15,000 air traffic controllers. As designed, the system would assess air traffic's workload, performance, and workforce productivity. However, in September 2002, FAA and NATCA entered into an MOU that restricted the system's ability to track employee productivity. Specifically, the MOU eliminated the requirement for controllers to sign in or out, and restricted CRU-X from being used to identify or assign the time controllers spend on collateral duties when not controlling air traffic. In our June 3, 2003 assessment of FAA's cost accounting system,¹ we cited the lack of those fundamental procedures as a serious internal control weakness that brings into question the validity of labor hour data. In FAA's response, the Agency agreed to provide satisfactory internal controls to ensure accurate collection of start and stop times for employees, as well as collect data by position and collateral duties by function. FAA needs to reopen negotiations in September 2003 and follow through on the Agency's commitments to ensure that it has a credible labor distribution system.

Based on our findings, FAA undertook an internal review of all MOUs, which identified 14 national and numerous local MOUs that were costly or "problematic" for the Agency. As a result, FAA and NATCA entered into negotiations to modify or rescind those agreements as part of an agreement "in principle" to extend the current CBA, which expires in September 2003.

FAA and NATCA met in June and July 2003; according to FAA officials, they have made progress in correcting several of the problematic MOUs and are continuing negotiations to correct other MOUs. However, FAA officials told us that if those negotiations are unable to resolve the most problematic MOUs, FAA is prepared to forgo plans to extend the current CBA and move directly into

¹ "2002 Status Assessment of Cost Accounting System and Practices," Report No. FI-2003-043.

negotiations over a new CBA. FAA notified NATCA of these plans in a June 17, 2003 memorandum.

While FAA's actions are clearly a step in the right direction, we urge the Agency to remain diligent in its efforts to resolve the most costly agreements as quickly as possible. Otherwise, many of the MOUs we reviewed will continue to impact FAA's budget well into the future. Those potential cost liabilities come at a time when FAA is facing multi-billion-dollar declines in projected Aviation Trust Fund receipts, and FAA's operating budget is severely strained.

RECOMMENDATIONS

- We are requesting that FAA provide us with the status of its negotiations and resolutions of the costly and/or problematic MOUs identified in this report and the Agency's internal review, along with the budgetary impact of any unresolved MOUs.
- We are recommending that FAA establish milestones for completing its proposed national database of all MOUs, and within 30 days of the completion of the database system, provide us, and the appropriate House and Senate Committees, with the total estimated budgetary impact of all MOUs signed since June 1, 2003.
- In addition, we are recommending that FAA undertake an internal evaluation of its new policies and procedures for MOUs to ensure that the new procedures are being followed and have been effective at improving the Agency's management and controls over MOUs.
- Finally, we are recommending that FAA exercise the option to reopen the September 18, 2002 MOU concerning the implementation of CRU-X software, and follow through on its commitment to provide satisfactory internal controls to ensure collection of accurate start and stop times for employees, as well as collect data by position and collateral duties by function.

AGENCY COMMENTS

On August 27, 2003, we met with the FAA Administrator's Chief of Staff and the Deputy Assistant Administrator for Labor Relations to discuss the facts and recommendations in our report. FAA agreed with the facts as presented in our report and, in general, concurred with our recommendations. We are requesting that FAA provide formal comments on each recommendation within 30 calendar days.

FINDING AND RECOMMENDATIONS

FAA's Lack of Controls Over MOUs Led to Significant Cost and Operational Impacts on the Agency

We found that FAA did not have standardized procedures for negotiating, approving, and implementing MOUs. Specifically, FAA (1) did not track the number of MOUs it had signed with NATCA; (2) delegated broad authority to managers to negotiate MOUs, but did not require that a labor relations specialist be involved during negotiations; and (3) had not issued standardized guidance on how to develop an MOU. As a result, FAA does not have an accurate inventory of the number or nature of local, regional, or national MOUs that have been signed with NATCA.

While many MOUs serve legitimate purposes, such as defining local scheduling parameters, outlining certain pay and performance programs, interpreting procedures for implementing new technology, and implementing local changes in working conditions, we reviewed a number of MOUs that have had and will continue to have significant budgetary and/or operational impacts on the Agency. For example, FAA entered into national and local MOUs that required the Agency, between fiscal years (FY) 2001 and 2003, to expend approximately \$23 million for overtime costs, \$1.8 million for cash awards, \$30 million in additional salary incentives, and 65,000 hours of time-off awards (the equivalent of approximately 30 full-time positions). In addition, language in one MOU allowed controllers to receive immunity for 84 operational errors (when a controller does not ensure that FAA separation standards are maintained between airplanes).

Because of the potential impact of our preliminary findings, we briefed the Administrator in January 2003, 2 months after initiating our review. Subsequently, FAA took action to address our immediate concerns. Between January and March 2003, FAA determined which MOUs were the most costly or problematic. In June 2003, FAA and NATCA entered into negotiations to modify or rescind those MOUs as part of the plans to extend the current national CBA (which expires in September 2003). FAA also issued a new Agency directive, FAA Order 3710.18, "Internal Coordination Requirements for Negotiating Term and Mid-Term Agreements (Including Memoranda of Understanding and Memoranda of Agreement) with FAA Unions," which became effective June 1, 2003. The Order makes significant changes to the Agency's process for negotiating, approving, implementing, and tracking MOUs and, if properly implemented, should provide FAA with much-needed controls over MOUs.

FAA Did Not Track the Number of National, Regional, and Local MOUs

FAA did not have a complete inventory or database of MOUs it had signed with NATCA. However, in June 2002, at the request of the House Transportation Appropriations Subcommittee, FAA obtained copies of all national, regional, and local MOUs, and created a “one-time” database. At that time, the database contained approximately 1,000 MOUs, approximately 400 national and 600 regional and local. To determine the validity of FAA’s database, we compared it to MOUs obtained from each facility we visited. Out of 15 facilities visited, we found discrepancies in the database on the number of MOUs reported at 13 locations. We found many MOUs included in the database that had elapsed and some active MOUs that were not included in the database. As a result, the true universe of MOUs is unknown; however, FAA estimates that there are between 1,000 and 1,500 national, regional, and local MOUs.

FAA Delegated Broad Authority to Managers to Negotiate MOUs

We found that FAA delegated broad authority to managers to negotiate and approve MOUs. For example, at Headquarters, we found MOUs that were negotiated and approved by:

- the Deputy Assistant Administrator for Labor Relations,
- the Director of Air Traffic Service,
- Program Managers for specific National Airspace System (NAS) projects,
- the Deputy Director of Air Traffic Planning and Procedures, and
- the Manager of Air Traffic Labor Management Relations.

In some cases, we found MOUs that had a significant impact on Air Traffic resources that had been approved by managers outside of the Air Traffic Service line-of-business. For example, we found one MOU approved by a NAS Program Director that required Air Traffic facility managers to (1) expend overtime during controller training on the new system, (2) provide large cash and time-off awards to controllers based on meeting certain training deadlines, and (3) grant controllers immunity for any operational errors they had during system integration. Despite the significant impact this MOU had on specific Air Traffic facilities, we could find no evidence that provisions of the agreement had been discussed or coordinated with the affected Air Traffic facility managers.

We also found there was no requirement that FAA labor relations specialists be involved in negotiations for MOUs. In fact, regional labor relations specialists told us that in most cases neither their presence nor their expertise were requested during negotiations. We were told one reason for this was that Air Traffic

personnel felt that the presence of labor relations personnel delayed negotiations and placed the union on the defensive.

FAA Had No Standard Guidance on How to Develop an MOU

At the three regions visited, we found only minimal guidance describing MOU definitions and format. This guidance included the preferred format of MOUs and written guidance on what MOUs should contain, such as including identification of participants, reopening provisions, and expiration dates. However, according to FAA managers, there was no requirement that the guidance be followed.

Our review of MOUs issued at 15 facilities confirmed that this guidance was not widely followed. Of 112 MOUs reviewed at the 15 locations, we found that:

- 49 MOUs (44 percent) did not completely identify the parties impacted by the MOU,
- 70 MOUs (63 percent) did not have reopener clauses,
- 80 MOUs (71 percent) did not have expiration dates, and
- 60 MOUs (54 percent) were missing other pertinent data such as dates, names, and/or titles of individuals who signed the MOUs.

Without the proper provisions in MOUs, it can be difficult to rescind or modify certain agreements. For example, without expiration dates or reopener clauses, facility managers must sometimes enter into lengthy negotiations to discontinue or modify agreements. More than one manager stated that an MOU in question was signed by his/her predecessor, or has been in place for so long that the manager is simply “stuck with it.”

MOUs Have Cost and/or Operational Impacts on the Agency

We found that managers were not required to determine the costs of MOUs prior to binding the Agency.² As a result, we found MOUs that have impacted FAA’s ability to manage resources effectively and efficiently. While some MOUs serve legitimate purposes, such as scheduling local operations and implementing local changes in working conditions, several MOUs we reviewed contain substantial cost and/or operational implications for the Agency. For example, we found national MOUs that impacted the ability of facility managers to efficiently expend overtime, reward individual contributions, take personnel actions based on performance, assign work within their facility, and/or determine the most efficient and economical methods to train controllers on new equipment.

² In our January 1998 audit report “Air Traffic Controller Workforce Labor Agreements,” Report No. AV-1996-061, we found similar problems. We recommended that FAA require managers to obtain and evaluate cost data associated with proposals before entering into MOUs.

The following table lists the MOUs we reviewed that had a significant cost and/or operational impact on FAA. Further details of each MOU are provided in Exhibits C through I.

Examples of MOUs That Were Costly and/or Restricted FAA's Ability to Manage Resources Effectively and Efficiently

MOU	SUBJECT	IMPACT
User Request Evaluation Tool (URET)	<ul style="list-style-type: none"> • Facility Overtime • Awards/Recognition • Personnel Action 	<ul style="list-style-type: none"> ▪ \$23 million in overtime. ▪ \$1.3 million in cash awards. ▪ 62,500 hours of time off. ▪ Immunity granted for 84 operational errors.
Controller Incentive Pay	<ul style="list-style-type: none"> • Cost-of-Living Differential Pay • Cash Bonuses 	<ul style="list-style-type: none"> ▪ \$35.5 million in additional cost-of-living differential paid in FY 2002. ▪ \$1 million in incentives.
"Pay Rule 59"-Consolidated Facilities	<ul style="list-style-type: none"> • Salary Increases 	<ul style="list-style-type: none"> ▪ \$2.2 million in additional salary costs.
Permanent Change of Station (PCS) Benefits-Consolidated Facilities	<ul style="list-style-type: none"> • Relocation Expenses 	<ul style="list-style-type: none"> ▪ \$1.3 million in PCS costs that would not have been authorized under the CBA.
National Airspace Redesign (NAR)	<ul style="list-style-type: none"> • Assignment of Work • Facility ATC Level 	<ul style="list-style-type: none"> ▪ 68 controllers on workgroups at 10 facilities ▪ Precludes management from reclassifying a facility based on decreases in air traffic.
Airport Movement Area Safety System (AMASS)	<ul style="list-style-type: none"> • Training/Overtime 	<ul style="list-style-type: none"> ▪ \$181,000 in Overtime.
Labor Distribution System (CRU-X)	<ul style="list-style-type: none"> • Personnel Action 	<ul style="list-style-type: none"> ▪ Precludes management from using the system to measure controller productivity.

URET

In July and October 2001, FAA and NATCA entered into two MOUs concerning the deployment of URET at seven Air Route Traffic Control Centers (Center). The MOUs allowed NATCA to designate Cadre Instructors (controllers trained on URET who, in turn, become instructors for facility personnel) and provided for mandatory overtime to replace instructors when they were involved in training. In addition, FAA agreed that basic watch schedules could not be changed as a result of training, and that facility management would increase shift coverage requirements to conduct URET training. As a result, FAA spent over \$23 million in overtime to backfill for 152 cadre instructors and train bargaining unit employees at 6 sites.³

³ The Atlanta Center did not implement the two URET MOUs due to staffing concerns.

Another URET MOU required managers to give bargaining unit employees four different awards for meeting training milestones. The awards included two \$250 cash awards for each bargaining unit employee, one facility award for \$10,000 to be used on facility enhancements, and one 24-hour time-off award to each bargaining unit employee. At all six sites, all bargaining unit employees received the maximum amount of awards possible. In total, FAA gave out approximately \$1.3 million in cash awards and approximately 62,500 hours of time-off awards, which is the equivalent of approximately 30 full-time positions.

Additionally, the MOU contained no distinction of awards for individual contributions other than coming to work and attending the training. In fact, at the Chicago and Washington Centers, 11 bargaining unit employees received the cash awards and 16 received the time-off awards even though they were on detail, on military leave, medically disqualified, or on workers' compensation.

The URET MOU also stated that each bargaining unit employee will be granted immunity from responsibility for all operational errors⁴ while URET was implemented. As a result, between October 2001 and May 2003, the 6 sites reported that controllers received immunity for 84 operational errors.

Controller Incentive Pay

As part of the new pay system for controllers, FAA and NATCA entered into a national MOU providing controllers with an additional cost-of-living differential. As a result of this MOU, in FY 2002, controllers at 110 locations received between 1 and 10 percent in a cost-of-living pay differential known as Controller Incentive Pay (CIP), which is in addition to Government-wide locality pay. In addition, FAA management provided this additional cost-of-living allowance to air traffic field managers, supervisors, and specialists. In FY 2002, CIP cost FAA about \$35.5 million.

“Pay Rule 59” – Consolidated Facilities

In March 2001, FAA entered into an MOU covering salary increases for controllers transferring to consolidated facilities. The “Pay Rule 59” MOU allows those controllers to begin earning the higher salaries associated with their new positions substantially in advance of their physical transfer to the new location or taking on new duties. At one location, controllers received their full salary increases 1 year in advance of their transfer (in some cases going from an annual salary of around \$55,000 to over \$99,000). During that time, they remained in their old location, controlling the same airspace, and performing the same duties.

⁴ An Operational Error (OE) occurs when a controller does not ensure that FAA separation standards are maintained between airplanes.

At three locations alone, we found FAA incurred over \$2.2 million in unnecessary one-time costs as a result of this MOU.

Permanent Change of Station (PCS) Benefits-Consolidated Locations

At three consolidated facilities (Atlanta, Northern Virginia, and Northern California) we reviewed, we found FAA entered into MOUs with NATCA that changed PCS rules contained in the national CBA. Those MOUs eased requirements for controllers at those locations to qualify for relocation benefits. For example, an MOU for the Northern California terminal radar approach control facility (TRACON), provided all controllers from Monterey and Bay TRACONs and Oakland Center with relocation benefits as long as they moved at least 10 miles closer to the new consolidated facility. Under the national CBA, to qualify for PCS benefits, a controller's commute to their new duty location must also have increased by at least 10 miles. We found that 13 controllers did not increase their commute by 10 miles but were provided relocation benefits that, under the terms of the national CBA, would not have qualified. The estimated cost of the 13 moves is over \$1.3 million.

National Airspace Redesign

On March 16, 2001, FAA and NATCA entered into an MOU concerning the National Airspace Redesign (NAR). The NAR MOU allows a significant number of bargaining unit employees to be detailed to numerous national, regional, and local workgroups, resulting in large expenditures of backfill overtime. While involving bargaining unit employees in the research, design, and implementation of new technology is clearly beneficial to FAA, there is concern over the numbers of bargaining unit employees participating on the different NAR workgroups and the amount of overtime resources expended to cover their absences. At 10 facilities, we found 62 bargaining unit employees were granted part-time absences and 6 bargaining unit employees were granted full-time absences to work on NAR workgroups. Significant overtime resources were used to cover for their absences. For example, at the New York TRACON, six part-time and three full-time controllers worked on NAR workgroups. As a result, the New York TRACON spent approximately \$843,000 in overtime to replace the nine bargaining unit employees on NAR workgroups.

The NAR MOU also has a longer term impact in that it allows a facility to keep its air traffic control (ATC) level classification (and commensurate controller salaries), even though its number of operations and degree of operational difficulty have decreased. Although no facility has had its ATC classification level reduced thus far as a result of airspace redesign, this agreement restricts FAA's ability to do so.

Airport Movement Area Safety System (AMASS)

On July 6, 2000, FAA and NATCA signed an MOU addressing impact and implementation issues concerning AMASS, a new ground radar. The AMASS MOU required facility managers to expend overtime dollars to fill in for bargaining unit employees who were being trained on AMASS. According to facility managers, the MOU did not allow the managers to determine alternative methods in lieu of overtime to provide the training. For example, one air traffic manager stated that he had developed an AMASS training schedule that would deliver the required 8 hours of training to all employees at no cost. However, according to the manager, the union stated that overtime dollars had to be used per the requirements of the MOU. As a result, the facility spent approximately \$7,000 on overtime for AMASS training.

CRU-X

CRU-X is the labor distribution system FAA chose to track hours worked by air traffic employees. As designed, CRU-X could have provided credible workforce data for addressing controller concerns about staffing shortages, related overtime expenditures, and how many controllers are needed and where. That information is especially important, given projections of pending controller retirements. Unfortunately, CRU-X has not been implemented as designed.

In September 2002, FAA and NATCA entered into an MOU that significantly reduced the system's ability to track employee productivity. Specifically, the MOU eliminated the requirement for controllers to sign in or out, and restricted CRU-X from being used to identify or assign the time controllers spend on collateral activities when not controlling air traffic.

On June 3, 2003, we issued report number FI-2003-043, "2002 Status Assessment of Cost Accounting System and Practices," which identified the internal control weaknesses of CRU-X resulting from the MOU. We recommended that FAA implement the necessary internal controls in CRU-X to ensure that employees accurately record their start and stop work times for hours worked and report air traffic controller duties by position and collateral duties by function.

FAA concurred with our recommendation and stated that it would provide satisfactory internal controls to ensure accurate collection of start and stop times for employees, as well as collect data by position and collateral duties by function. The September 2002 MOU contains a clause that allows either party to reopen the MOU after one year. We recommend that FAA reopen the MOU and follow through with its commitment to provide satisfactory internal controls to ensure that it has a credible labor distribution system.

FAA Has Taken Decisive Actions to Improve Controls Over MOUs

On January 9, 2003, we briefed the FAA Administrator on the preliminary findings of our audit. Based on that briefing, FAA took the following actions.

Between November 2002 and March 2003, FAA undertook an internal review of MOUs signed with NATCA at the national, regional, and local levels. According to FAA, the review team categorized concerns into three areas: pay MOUs, national MOUs, and local MOUs. The review team found that several MOUs provided inappropriate pay increases and inappropriate pay provisions. The review team also expressed concerns regarding several national MOUs that dealt with training, immunity clauses, the union's right to stop system implementation, and the union being given equal authority to that of management but without accountability. The review team also found several local MOUs that were inappropriate or expanded the National CBA.

As a result of the internal review, the FAA Administrator notified NATCA on March 21, 2003, that she wished to address several problematic MOUs. The Administrator listed six pay rule MOUs, eight national MOUs, and seven subjects for which numerous local MOUs had been signed, that she wished to reopen with the union.

FAA and NATCA officials met in June and July 2003 and have made some progress in addressing several of the problematic MOUs by sending those MOUs back to their respective facilities for renegotiations. Negotiations over other MOUs continue. However, according to FAA officials, if those negotiations are unable to address the most problematic MOUs, FAA is prepared to forgo plans to extend the current CBA and move directly into negotiations over a new CBA. To meet contractual guidelines, FAA notified NATCA of these plans in a June 17, 2003 memorandum. However, FAA could still decide to extend the CBA for 2 years.

On May 1, 2003, the FAA Administrator signed FAA Order 3710.18, "Internal Coordination Requirements for Negotiating Term and Mid-Term Agreements (Including Memoranda of Understanding and Memoranda of Agreement) with FAA Unions." The Order, which became effective June 1, 2003, effects significant changes in the process for negotiating, signing, and tracking MOUs. For example, the new procedures require that:

- a labor-management relations specialist lead national and regional negotiations;
- proposed MOUs are analyzed for affordability relative to anticipated funding levels;

- MOUs contain mandatory provisions, such as a specific expiration date; and
- copies of all local, regional, and national MOUs be sent to the Director of Labor and Employee Relations for inclusion in a national database.

FAA is currently in the process of creating a web-based database with storage/retrieval capabilities and multiple search functions. This database will allow FAA to track all MOUs and identify the budgetary impact from those agreements. These new procedures, if properly implemented, will provide FAA with much-needed controls over the MOU process.

During the time period this audit was conducted, FAA and NATCA were negotiating another MOU for deploying URET at the next 14 facilities. NATCA's proposal for an MOU governing URET deployment generally mirrored the original URET MOU. We estimated that if a new MOU mirrored the original MOU, it would cost FAA over \$54 million in overtime, \$3 million in cash awards, and 146,000 hours of time-off awards (the equivalent of 70 full-time positions). To address the concern, FAA proposed language that would make significant changes in management oversight and the cost impact of the new URET MOU.

Between February and June of 2003, FAA and NATCA exchanged MOU proposals. On June 13, 2003, approximately 12 months after FAA notified NATCA of its intentions to deploy URET at the remaining 14 sites, FAA informed NATCA that due to operational necessity, it would implement URET at the first of the remaining 14 sites on July 14, 2003, even though there was no national MOU. At the first site, the URET equipment was installed in May 2003, but never used. Subsequently, FAA and NATCA signed the national MOU for URET implementation in the remaining 14 sites. The changes implemented in the new URET MOU should significantly decrease the amount of overtime used for URET training by deleting mandatory use of overtime for instructors and allowing management to determine when overtime usage is necessary to accomplish training.

While FAA's swift actions are a step in the right direction, we urge the Agency to remain diligent in its efforts to resolve the most costly agreements as quickly as possible. Many of the MOUs we reviewed will continue to impact FAA's budget well into the future. For example, controllers continue to receive the additional "Controller Incentive Pay" premium, and FAA is considering facility consolidations in New York and Boston. Those potential cost liabilities come at a time when FAA is facing multi-billion-dollar declines in projected Aviation Trust Fund receipts, and FAA's operating budget is severely strained.

RECOMMENDATIONS

We recommend that FAA:

1. Provide us, within 30 days of the issuance of this report, with the status of its negotiations and resolutions of the costly and/or problematic MOUs identified in this report and the Agency's internal review along with the budgetary impact of any MOUs that have not been resolved.
2. Establish milestones for completing its proposed national database of all MOUs and, within 30 days of the completion of the database system, provide us and the appropriate House and Senate Committees with the total estimated budgetary impact of all MOUs signed since June 1, 2003.
3. Undertake, within 90 days of the issuance of this report, an internal evaluation of its new policies and procedures for MOUs to ensure that the new procedures are being followed and have been effective at improving the Agency's management of and controls over MOUs.
4. Exercise the option to reopen the September 18, 2002 MOU concerning the implementation of CRU-X software, and follow through on its commitment to provide satisfactory internal controls to ensure accurate collection of start and stop times for employees, as well as collect data by position and collateral duties by function.

AGENCY COMMENTS

On August 27, 2003, we met with the FAA Administrator's Chief of Staff and the Deputy Assistant Administrator for Labor Relations to discuss the facts and recommendations in our report. FAA agreed with the facts as presented in our report and, in general, concurred with our recommendations.

ACTION REQUIRED

In accordance with Department of Transportation Order 8000.1C, we would appreciate receiving your comments on this report within 30 calendar days. If you concur with the finding and recommendations, please indicate the specific actions taken or planned and the target dates for action. If you do not concur, please provide an explanation of your position. We welcome any alternative courses of action that could resolve the issues.

We appreciate the cooperation and assistance provided by you and your staff during our review. If you have any questions or need further information, please contact me at (202) 366-1992 or David A. Dobbs, Assistant Inspector General for Aviation Audits, at (202) 366-0500.

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EXHIBIT A. SCOPE AND METHODOLOGY

This report provides the results of two audits. The original audit (developed from a Hotline complaint) was conducted between July 2002 and November 2002, and evaluated workforce-related expenses associated with MOUs concerning air traffic facility consolidations. The second audit (OIG initiated) was conducted between November 2002 and July 2003, and evaluated FAA's process for negotiating, approving, and implementing MOUs outside the National CBA. We determined that a single audit report was the most effective way to address the findings associated with MOUs between FAA and NATCA.

The audits were conducted in accordance with Government Auditing Standards prescribed by the Comptroller General of the United States, and included such tests as we considered necessary to provide reasonable assurance of detecting abuse or illegal acts. The following methodology was used in conducting this review.

To determine whether FAA ensured that workforce-related expenses associated with facility consolidations were necessary, cost-effective, and in the best interest of the Government, we interviewed FAA personnel at both Headquarters and Regional offices to determine why facilities were being consolidated, identify benefits of consolidations, and acquire MOUs and pay rules that applied to consolidations. To obtain background information on completed consolidations, we visited the Southern California TRACON, as this consolidation was completed in the mid-1990s.

In addition, we examined the following: (1) controller salaries to determine the impact of pay rule 59 and pay rule 51; (2) local MOUs that impacted consolidation costs; (3) PCS packets for controllers who received paid PCS moves; (4) processes and criteria used for approving PCS moves; (5) changes to controller workload or airspace redesign that occurred as a result of consolidations; (6) cost analyses used to identify savings resulting from consolidations; and (7) any incentives that were given to controllers as a result of consolidations.

To evaluate FAA's process for negotiating, approving, and implementing MOUs, we obtained a listing of Headquarters, regional, and facility MOUs from the Air Traffic Resource Management Program listing 404 Headquarters and 633 Regional/Facility MOUs. We reviewed the listing and chose several of the largest MOUs pertaining to implementation of NAS equipment throughout the country. We then visited facilities to determine whether FAA had a standard process for managing and controlling MOUs.

To determine the impact of MOUs on implementing modernization systems, we obtained a list of Air Traffic modernization systems scheduled for deployment in FY 2003 and the specific sites and dates of implementation. Based on the number of facilities receiving the equipment and sites receiving more than one system, we selected three systems to review for resource impacts. Two of these systems were being deployed to en route centers and one was being deployed to towers.

To determine the impact, we visited several facilities that received, or are scheduled to receive, the modernization systems. We then identified the specific agreements contained in the MOUs that impacted overtime, incentives, immunity from operational errors, and detailing bargaining unit members away from their facility. We then obtained and evaluated facility documents showing total cost and operational impact from these MOUs.

EXHIBIT B. FAA SITES VISITED

Western Pacific Region:

- Southern California TRACON
- Northern California TRACON

Eastern Region:

- New York Center
- New York TRACON
- JFK Tower
- LaGuardia Tower
- Washington Center
- Potomac Consolidated TRACON

Great Lakes Region:

- Chicago Center
- Chicago TRACON
- Chicago O'Hare Tower

Southern Region:

- Atlanta Center
- Atlanta Tower
- Memphis Tower
- Memphis Center
- Miami Tower
- Miami Center
- Charlotte Tower
- Atlanta Consolidated TRACON

EXHIBIT C. USER REQUEST EVALUATION TOOL

In July and October 2001, the Program Director for Free Flight signed two MOUs between FAA and NATCA concerning the deployment of URET at seven Centers (Atlanta, Chicago, Cleveland, Indianapolis, Kansas City, Memphis, and Washington). Subsequently, the Atlanta Center did not implement the two URET MOUs due to staffing concerns.

URET provides en route controllers with automated systems that eliminate paper strips, manage complex amounts of flight data electronically, and provide a “conflict probe” capability to assist controllers in strategically resolving impending traffic conflicts.

The URET MOUs contain sections that impact the authority of the facility manager to manage facility resources, such as overtime expenditures, awards and personnel action. The following describes those sections in the MOUs and the impact they had on individual facilities.

FACILITY OVERTIME

In the MOU dated July 13, 2001, FAA agreed to allow the NATCA Facility Representative to designate a minimum of two bargaining unit employees per operational area as Cadre Instructors, and agreed to backfill with overtime for each shift they were receiving or providing URET training. In addition, the MOU stated that there could be no changes to basic watch schedules and that facility management would increase shift coverage requirements for the purposes of conducting URET training and implementation activities. Under the MOU, between FYs 2001 and 2003, FAA spent over \$23 million¹ in overtime at 6 sites to backfill for 152 Cadre Instructors, train bargaining unit employees, and increase shift coverage during implementation and training of URET.

¹ The total backfill overtime for controller training on URET was tracked as a whole and not broken out by the amount spent on Cadre Instructors versus controllers.

The following are the overtime expenditures and number of Cadre Instructors per site.

<u>SITE</u>	<u>OVERTIME</u>	<u>CADRE INSTRUCTORS</u>
Chicago Center	\$4,022,108	40
Cleveland Center	\$3,686,361	29
Indianapolis Center	\$2,267,723	23
Washington Center	\$4,711,893	32
Kansas City Center	\$4,257,236	18
Memphis Center	\$4,063,411	10
Total	\$23,008,732	152

AWARDS AND RECOGNITION

The October 2001 MOU also required managers to give bargaining unit employees four different awards for meeting training milestones. The awards included two \$250 cash awards for each bargaining unit employee, one facility award for \$10,000 to be used on facility enhancements, and one time-off award for 24 hours to each bargaining unit employee. In total, FAA gave out approximately \$1.3 million in cash awards and approximately 62,500 hours of time-off awards, which is equivalent to approximately 30 full-time positions. Additionally, the MOU contained no distinction of awards for individual contributions other than coming to work and attending the training. In fact, at the Chicago and Washington Centers, 11 bargaining unit members received the cash awards and 16 bargaining unit members received the time-off awards even though they were on detail, on military leave, medically disqualified, or out on workers' compensation.

PERSONNEL ACTION

The July 2001 URET MOU also stated that each bargaining unit employee will be granted immunity from responsibility for all operational errors (OE), operational deviations (OD), technical violations, and other incidents in a particular sector during a specified time period while URET was operational. An OE occurs when a controller does not ensure that FAA separation standards are maintained between airplanes.

From October 2001 through May 2003, the 6 Centers reported that bargaining unit employees identified in 84 OEs received immunity due to the URET MOU.

EXHIBIT D. CONTROLLER INCENTIVE PAY

As part of the new pay system for controllers, FAA and NATCA entered into a national MOU that provided controllers with an additional cost-of-living differential. As a result of this MOU, controllers at 110 locations receive between 1 and 10 percent in a cost-of-living pay differential known as CIP, *which is in addition to Government-wide locality pay*.

For example, like all other Federal Government and FAA employees in the Washington Metropolitan area, controllers receive 12.74 percent in Government-wide locality pay (during 2003). However, as a result of this MOU:

- Controllers at Dulles International also receive 4.6 percent in CIP;
- Controllers at Reagan National also receive 3.3 percent in CIP;
- Controllers at Andrews Air Force Base also receive 5.9 percent in CIP; and
- Controllers at Baltimore Washington International also receive 1.7 percent in CIP.

In addition, FAA management provided this additional cost-of-living allowance to air traffic managers, supervisors, and specialists. As a result, in FY 2002, CIP cost FAA about \$35.5 million (\$26.7 million for bargaining unit employees and \$8.8 million for field managers, supervisors, and specialists).

This MOU has had an impact in other areas. For example, because Dulles TRACON controllers would forfeit their CIP payments when they moved to the Potomac Consolidated TRACON (which does not yet receive CIP), FAA management unilaterally provided a cash incentive to ensure that more experienced controllers would move. Although no MOU was negotiated, FAA chose to provide each controller with a single payment of just over \$12,000 or the approximate equivalent of 2 1/2 years of CIP in return for a commitment to remain at the consolidated facility for 1 year. The cost of providing this incentive was approximately \$660,000.

In another example, FAA and NATCA entered into a local MOU that provided bonuses of \$850 per pay period (in addition to travel and per diem expenses) to controllers to commute back to their previous duty stations because of differences in CIP and locality rates. Upon announcing the Northern California TRACON's commissioning date, some controllers exercised their option to receive PCS benefits and relocated nearer the new TRACON. Most of these controllers were from the Bay TRACON, which is located in Oakland, and were receiving CIP and locality pay for that geographic area (about 31 percent of base pay during 2003).

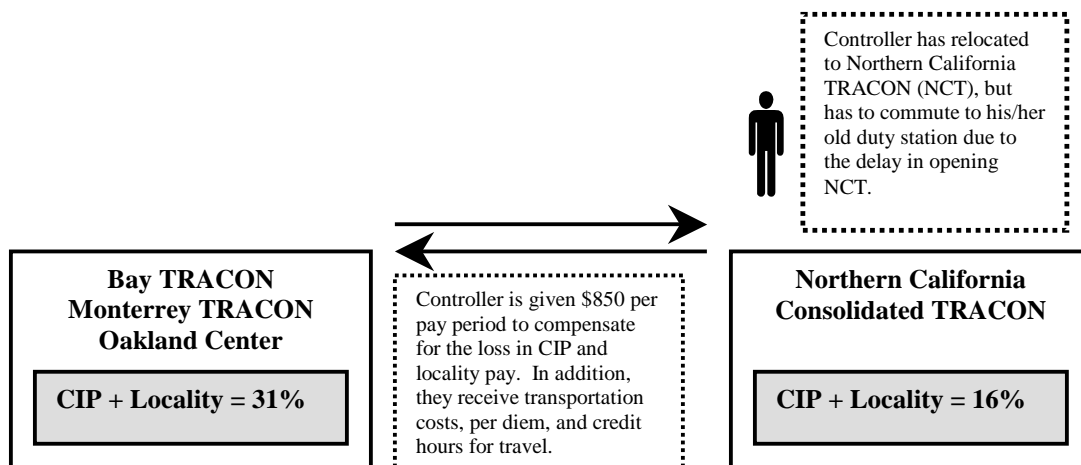
Exhibit D. Controller Incentive Pay

However, because these controllers' new duty station was the Northern California TRACON, which is located in Sacramento, they received a lower CIP and locality pay associated with that geographic area (about 16 percent of base pay).

When the TRACON's commissioning date was delayed by over 1 year, the controllers who moved were required to commute back to their old duty station in Oakland (reverse commute). However, because the Northern California TRACON was now their duty station, they were paid at the lower CIP and locality rates for the Sacramento area. Although these controllers received per diem benefits of approximately \$160 a day, reimbursement for transportation expenses, and credit hours for travel time, the Western Pacific Region's Assistant Air Traffic Division Manager agreed in a local MOU to compensate those controllers for the lower CIP and locality rate.

Under the terms of the MOU, controllers who must "reverse commute" receive an incentive payment in the amount of \$850² each pay period for as long as they commute back to their old duty station. *As of June 2003, FAA has paid \$356,000 in incentive payments to controllers to commute back to their old duty stations (in addition to travel and per diem).*

"Reverse Commute" Incentive



² FAA and NATCA based this amount primarily on the difference in CIP and locality pay rates at the Bay and Northern California TRACONs.

EXHIBIT E. “PAY RULE 59” – CONSOLIDATED FACILITIES

FAA is in the process of merging older TRACONs into new, consolidated locations. By combining these smaller, lower rated facilities into a larger, consolidated TRACON, the new merged facility becomes a level 12 facility. Under FAA’s pay system for controllers, controllers who transfer from lower level facilities to consolidated TRACONs receive pay increases because they will be working at larger and busier locations. For example, controllers from Richmond TRACON (level 9) making \$72,168 will make \$90,268 upon moving to the new Potomac Consolidated TRACON (level 12).

As part of the 1998 collective bargaining agreement, FAA and NATCA negotiated rules and policies for the new air traffic controller pay system. This agreement included “pay rule 51,” which provided salary policies for controllers who transfer to another facility. Under pay rule 51, controllers who transfer to a higher level facility would receive 50 percent of their salary increase when they moved into the new facility and the remaining 50 percent when they successfully certified³ at the new facility.

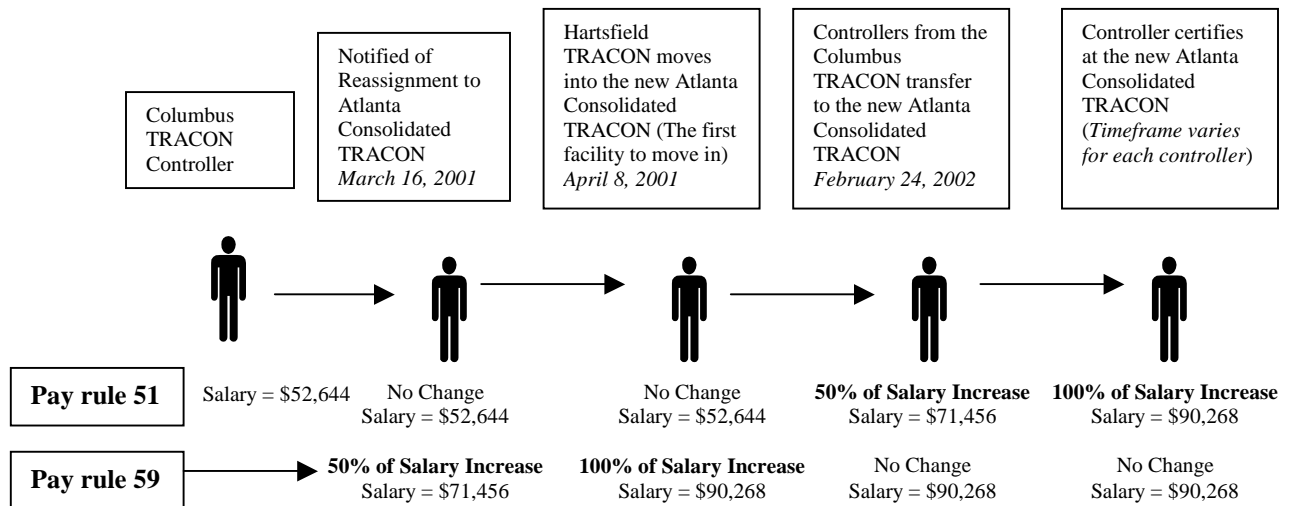
Pay rule 51 would have applied to all of the consolidations we reviewed. However, in March 2001, the Director of Air Traffic Services and NATCA officials negotiated and agreed to a new national MOU referred to as “pay rule 59.” This new pay rule provided salary policies for controllers who are reassigned to a consolidated facility. Under pay rule 59, controllers who transfer to a higher level, consolidated facility will receive their salary increase in two parts. Controllers receive the first 50 percent of their salary increase when they are *notified* of their new assignment and the remaining 50 percent when the *first* facility physically relocates into the new consolidated facility.

To illustrate the impact of this change, during the Atlanta consolidation, controllers at Columbus and Macon TRACONs received 50 percent of their salary in March 2001.⁴ When the first facility (Hartsfield TRACON) physically relocated in April 2001, controllers at the Macon and Columbus TRACONs received the second 50 percent of their pay increase even though they had not moved and would not move for almost 1 year. Pay rule 59 provides the second half of the salary increase to all controllers at the same time, regardless of whether their facility has physically relocated.

³ When moving to a new facility, controllers must learn the associated airspace and procedures of the location before they are “certified” to independently control air traffic at the location.

⁴ Controllers at Columbus and Macon were notified that their facility would be consolidated prior to pay rule 59 being signed. Therefore, those controllers received their first pay raise as of the date pay rule 59 was signed instead of the date they were notified.

Example – Controller from Columbus TRACON to Atlanta Consolidated TRACON



As a result of the MOU, at consolidated locations in Atlanta, Northern Virginia (Potomac), and Northern California, we estimate FAA incurred one-time costs of approximately \$2.2 million by providing pay raises earlier under pay rule 59 than would have been provided under pay rule 51.

We also found that in addition to providing pay increases much earlier, pay rule 59 changed the requirement for controllers to certify before receiving their full salary increase. Unless controllers are conducting the same work as before the consolidation, controllers must certify at the new consolidated facility. As a result of pay rule 59, controllers will receive their full salary even though they have not certified at their new location.

For example, controllers from Columbus TRACON (level 6) making \$52,644 received salary increases to \$90,268 after being transferred to the Atlanta Consolidated TRACON (level 12) with no requirements that they certify at that location. According to FAA management, training for those controllers to certify may take as long as 2 years. However, during that time, those controllers will be making the salaries of fully-certified level 12 controllers. Since FAA failed to include a re-opener clause or expiration date as part of this MOU, FAA will continue to incur additional costs for future consolidations until such time that the agreement is rescinded or modified. FAA is considering consolidations in New York and Boston.

EXHIBIT F. PERMANENT CHANGE OF STATION BENEFITS - CONSOLIDATED LOCATIONS

At the three consolidated facilities we reviewed (Atlanta TRACON, Potomac TRACON, and Northern California TRACON), we found FAA entered into additional MOUs with NATCA that changed PCS rules contained in the National CBA for those locations.

Article 58 of the National CBA contains provisions for PCS moves. For involuntary moves resulting from facility relocation or closure, the agreement provides controllers a paid PCS move if “official stations are separated by at least 10 miles; and the Agency has determined that the relocation was incident to the change of official station, in accordance with Section 302-1.7 of the Federal Travel Regulations (FTR).”

Section 302-1.7 of the FTR states that “ordinarily a relocation of residence shall not be considered as incident to a change of official station unless the one-way commuting distance from the old residence to the new official station is at least 10 miles greater than from the old residence to the old official station. Even then, circumstances surrounding a particular case (e.g., relative commuting time) may suggest that the move of residence was not incident to the change of official station.”

However, for the Atlanta, Potomac, and Northern California TRACONs, FAA and NATCA entered into three separate National MOUs that reduced FAA’s discretion in determining whether additional factors existed that warranted a paid move. As a result, FAA approved relocation benefits to controllers who may not have qualified under the National CBA.

For example, an MOU for the Northern California TRACON provided all controllers from Monterey and Bay TRACONs and Oakland Center with relocation benefits as long as they moved at least 10 miles closer to the new consolidated facility. The MOU eliminated the CBA requirement that, to receive relocation benefits, a bargaining unit employee’s commute to the new facility must increase by at least 10 miles when compared to their old commute. As a result, we found that 13 out of 159 controllers were provided relocation benefits that, under the terms of the National CBA, they would not have been eligible for.

For instance, one controller's commute from his residence to his old duty station, Bay TRACON, was 60 miles. However, his commute from the same residence to his new duty station, the Northern California Consolidated TRACON, is only 45 miles, a decrease in commuting distance of 15 miles. Yet, under terms of the MOU, this employee was authorized approximately \$122,000 in relocation benefits for a future PCS move. The estimated cost of all 13 moves is over \$1.3 million.

In total for the three consolidated facilities, we found FAA automatically approved 109 PCS moves at an estimated cost of \$6.3 million that, under the National CBA, would have required an assessment of a controller's individual circumstances. While some of these moves may have been approved under the criteria of the National CBA, FAA gave up its authority to review the necessity of each move on a case-by-case basis when it signed an MOU that restricted FAA's discretion. Without reviewing each move, FAA cannot be assured that these moves were in the best interest of the Government.

EXHIBIT G. NATIONAL AIRSPACE REDESIGN (NAR)

On March 16, 2001, the Director of Air Traffic Service signed an MOU between FAA and NATCA concerning the NAR. The purpose of NAR is to review domestic and oceanic airspace and develop a strategy that will allow FAA to make changes that will achieve the most efficient design for customer operations while maintaining the highest standards of safety.

We found two issues under the NAR MOU that caused concern. First, in the near term the NAR MOU impacts a facility manager's ability to assign work by allowing a significant number of bargaining unit members to be detailed to numerous national, regional, and local workgroups. Second, for a longer term impact, the NAR MOU allows a facility to keep its ATC level determination (and commensurate controller salaries), even though its number of operations and degree of operational difficulty may decrease as a result of airspace redesign.

ASSIGNMENT OF WORK

Collaboration on NAR activities between FAA and NATCA is developed through numerous workgroups throughout Headquarters, regions, and facilities. The NAR MOU requires the services of bargaining unit employees for numerous workgroups, such as the Airspace Liaison Team, small technical teams, Regional Focus Leadership Teams, Facility Focus Leadership Teams, and Facility Design Teams. The MOU also states that all facilities involved in airspace redesign will receive operational overtime to cover absences for representatives in NAR activities.

While involving bargaining unit employees in the research, design, and implementation of new technology is clearly beneficial to FAA, there is concern over the numbers of bargaining unit employees participating on the different NAR workgroups and the amount of overtime resources expended to cover their absences. At 10 facilities, we found 62 bargaining unit employees were granted part-time absences to work on NAR workgroups, while an additional 6 bargaining unit employees were granted full-time absences. According to facility managers, significant overtime resources were used to cover for their absences. For example, at the New York TRACON, six bargaining unit employees worked part-time and three bargaining unit employees worked full-time on NAR workgroups. As a result, the New York TRACON expended approximately \$843,000 in overtime to replace the nine bargaining unit employees who were working on NAR activities.

FACILITY ATC LEVEL

Another part of the NAR MOU states that if, as a result of airspace redesign, a facility qualifies for a decrease in its classification level, employees shall retain the current ATC level pay that was in effect prior to the decrease. The NAR MOU allows a bargaining unit employee to retain the higher ATC level pay indefinitely, or until he/she voluntarily transfers to another facility.

Although no facility has had to decrease its facility classification level as a result of airspace redesign, this agreement restricts FAA's ability to fairly set pay ranges for each facility. The original reason for changing the classification of air traffic facilities from a 5-level system to a 12-level system was to fairly compensate air traffic facilities based on numbers of operations and the complexity of operations at each location. The NAR MOU language contradicts the intentions of the original pay system's design.

EXHIBIT H. AIRPORT MOVEMENT AREA SAFETY SYSTEM (AMASS)

On July 6, 2000, a manager in the Communications, Navigation, Surveillance, and Infrastructure Directorate signed an MOU between FAA and NATCA addressing impact and implementation issues concerning AMASS. AMASS is an enhancement to the Airport Surface Detection Equipment radar. AMASS tracks all ground operations, compares each movement, and automatically provides visual and audio alert of potential conflicts between aircraft. The MOU contains sections outlining specific agreements concerning training and overtime.

The MOU stated that there would be no changes to bargaining unit employees' basic watch schedule, scheduled annual leave, other types of leave, and/or alternate work schedules (AWS) due to AMASS. According to air traffic managers, essentially this agreement required facility managers to expend overtime dollars to fill in for bargaining unit employees who were required to be trained on AMASS. It did not allow the managers to determine methods other than overtime to fill in for bargaining unit employees who were being trained.

For example, one air traffic manager stated that he had developed an AMASS training schedule that would deliver the required 8 hours of training to all employees at no additional cost. However, according to the manager, the union stated that overtime dollars had to be used per the requirements of the MOU. Consequently, the union was allowed to develop the training schedule, which decreased the number of attendees in a class and increased the number of classes needed. As a result, the facility expended 98 hours of overtime at a cost of approximately \$7,000. At four sites reviewed, we found that approximately \$181,000 in backfill overtime was expended to provide all bargaining unit employees 8 hours of training on AMASS.

EXHIBIT I. CRU-X

FAA is developing a labor distribution system, called CRU-X, which would account for and distribute its labor costs, including the costs of FAA's 15,000 air traffic controllers, to specific facilities and functions for FAA to better assess its workload, performance, and workforce productivity. FAA's Air Traffic Services labor cost for FY 2001 was \$2.6 billion.

In October 2001, we reported that CRU-X had two design flaws. CRU-X allowed air traffic controllers to override the computer's internal clock and record any start and stop work time, regardless of actual arrival or departure from work. In addition, while CRU-X had the capability to capture labor hours by collateral or off-scope duty categories as described in the National CBA, these categories were not programmed into CRU-X.

In May 2002, FAA met with us and agreed to resolve the sign-in/sign-out problems and to build internal controls into the system. However, in September 2002, FAA's Director for Air Traffic Resource Management Program and NATCA entered into a separate MOU that significantly reduced the system's ability to track employee productivity. Specifically, the MOU eliminated the requirement for controllers to sign in or out, and CRU-X was not programmed to identify or assign the time controllers spend on collateral activities when not controlling air traffic.

On June 3, 2003, we issued report number FI-2003-043, "2002 Status Assessment of Cost Accounting System and Practices," which identified the internal control weaknesses of CRU-X resulting from the MOU. We recommended that FAA implement the necessary internal controls in CRU-X to ensure that employees accurately record their start and stop work times for hours worked and to report air traffic controller duties by position and collateral duties by function. FAA concurred with our recommendation and stated that it would provide the necessary internal controls.

If Cru-X is implemented effectively, it could provide credible workforce data for addressing controller concerns about staffing shortages, related overtime expenditures, and how many controllers are needed and where. That information in turn is especially important, given projections of pending controller retirements.