United States Government Accountability Office

GAO

Report to the Chairman, House Committee on Transportation and Infrastructure

March 2006

CONGRESSIONAL OVERSIGHT

FAA Case Study Shows How Agency Performance, Budgeting, and Financial Information Could Enhance Oversight

GAO-06-378

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GAO Accountability · Integrity · Reliability

Highlights

Highlights of GAO-06-378, a report to the Chairman, House Committee on Transportation and Infrastructure

Why GAO Did This Study

Pursuant to various statutes, federal agencies develop an abundance of performance, budget, and financial information that could be useful for Congress' review and monitoring of agencies. However, agencies' understanding of Congress' information needs is often limited and agencies may not be providing timely information in a format that aids congressional understanding of trends and issues. Thus, Members and their staff may not be aware of or avail themselves to certain information. To describe the information available and how it might be used to support congressional oversight, the Federal Aviation Administration was selected as a case study in part due to the large quantity of information already available. GAO was asked to identify: (1) information FAA produces that could enhance congressional oversight, (2) other technology and information resources that could enhance congressional oversight, and (3) how committee access to FAA's information could be improved to enhance its timeliness and usefulness.

What GAO Recommends

While FAA makes much of its information available on its Web site, GAO recommends that FAA further use technology to enhance congressional access to information, and offer regular meetings with Members of the committee and key staff to discuss areas of mutual concern. The agency generally concurred.

www.gao.gov/cgi-bin/getrpt?GAO-06-378.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Bernice Steinhardt at (202) 512-6543 or steinhardtb@gao.gov.

What GAO Found

The Federal Aviation Administration (FAA) has made available much of the information and analytic resources that Congress needs to carry out its oversight function. For example, FAA has a strategic plan with long-term, outcome-oriented goals and objectives. Its annual Performance and Accountability Report includes the agency's progress in achieving its goals, and allows Congress to monitor performance trends. This report also provides financial information useful for analyzing its operating results and financial position. FAA's budget documents combined with performance data could provide Congress information to use in determining whether resources are achieving the planned performance improvements. Used together, this information could assist Members of Congress and congressional staff in their oversight responsibilities.

Through its legislative support agencies—GAO, Congressional Research Service and the Congressional Budget Office—and the Department of Transportation's (DOT) Inspector General (IG), congressional committee staff also have access to considerable resources for oversight. For example, GAO's 2005 High Risk Series Update includes FAA's Air Traffic Control Modernization program and discusses progress the agency has made in addressing its problems. DOT's IG annually reports on the top management challenges facing FAA, such as safety and capacity challenges.

Effective communication is needed to ensure that information agencies provide meets congressional needs. While considerable information resources are available, they may not be available in a manner that is useful to committees. We have reported that although agencies collect and produce a great deal of information, much of it did not reach the interested committees, and the information that did reach them was difficult to digest, highly aggregated, or was received too late to be useful. In the case of FAA, House Transportation and Infrastructure Committee staff said FAA has a large quantity of information available and effective communication between the staff and agency, but is interested in using technology to gain additional agency data. While FAA provides a great deal of information on its Web site, it could take additional advantage of technology to improve the timeliness and usefulness of information to the Congress. For example, a *Frequently Asked Questions* section could provide quick access to information often requested by committees. As a result of our discussions with committee and agency staff, FAA has initiated two suggested technology enhancements, a *For Congress* page on its Web site, providing a single point of access for information relevant for oversight, and a Web site subscription service notifying committee staff when relevant information has been updated on its Web site. Further, regular meetings between congressional committees and agency officials could identify the committee's oversight objectives, provide a forum to discuss the issues, and develop approaches to meet them. Importantly, these findings constitute lessons learned that may be transferable to other agencies.

Contents

Abbreviations

ARTCC	Air Route Traffic Control Centers
ATO	Air Traffic Organization
CAS	Cost Accounting System
CBO	Congressional Budget Office
CFO	Chief Financial Officer
CIP	Capital Improvement Plan
CRS	Congressional Research Service
DOT	Department of Transportation
FAA	Federal Aviation Administration
FAQ	Frequently Asked Questions
FFMIA	Federal Financial Management Improvement Act of 1996
FSAS	Flight Services Automation System
GA	General Aviation
GMRA	Government Management and Reform Act of 1994
GPRA	Government Performance and Results Act
NAS	National Airspace System
OASIS	Operational and Supportability Implementation System
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PMA	The President's Management Agenda
QFR	Questions for the Record

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, D.C. 20548

March 8, 2006

The Honorable Don Young
Chairman, Committee on Transportation
and Infrastructure
House of Representatives

Dear Mr. Chairman:

In your letter dated September 13, 2004, you noted that federal agencies develop an abundance of performance, budget, and financial information for internal use as well as to report to Congress for oversight purposes. However, Congress may not be fully aware of or availing itself of this information. Further, communication between agencies and Congress to clarify Congress' information needs is limited. For example, you stated that agencies often do not provide information in a timely manner or in a format that facilitates understanding of trends and issues, making it difficult to synthesize and use the information to identify areas of greatest concern and conduct effective oversight. As a result, you stated that too often oversight occurs in an ad hoc manner as problems arise, and with inadequate information to determine and address root causes. Further, as government grows more complex, and agencies produce more information, it becomes harder for Congress to access, analyze, and summarize this information to develop its policy positions and legislative enactments. New ways must be continually found to use emerging technology and approaches to make agency information transparent and readily available.

You requested that we help to address these issues by working with committee staff to develop a framework for establishing timely and constructive oversight of programs under the committee's jurisdiction. To establish a working precedent, the Federal Aviation Administration (FAA) was selected as a case study as a result of its large quantity of information already available, the forward-looking management systems being developed, and the effective communications between the staff and agency. Our objectives were to identify: (1) information FAA produces that could enhance congressional oversight, (2) other available information resources that could enhance congressional oversight and, (3) how committee access to FAA's information could be improved to enhance its timeliness and usefulness.

To achieve our objectives, we worked with members of your committee's oversight staff, as well as Aviation Subcommittee staff to better understand

their information needs and delivery mechanisms. In addition, we identified relevant FAA performance, budget, and financial documents and met with senior officials from across FAA, including several lines of business—Airports, Air Traffic Organization, Aviation Safety—and staff offices—Aviation Policy, Planning and Environment, Financial Services, Government and Industry Affairs, Human Resources and Management. We also met with officials from the Department of Transportation's (DOT) Office of Inspector General (OIG), the DOT's Chief Information Officer, the Congressional Research Service, the General Service Administration's FirstGov initiative, and the Office of Management and Budget, as well as representatives from several think tanks. Our review was conducted from September 2004 through December 2005 in accordance with generally accepted government auditing standards.

Results in Brief

FAA has made available much of the information and analytic resources that Congress needs to conduct its oversight role. For example, FAA developed a strategic plan with long-term, outcome-oriented goals and objectives. Its annual Performance and Accountability Report includes the agency's progress in achieving its goals, and allows Congress to monitor performance trends. This report also provides financial information useful for analyzing its operating results and financial position. FAA's budget documents combined with performance data could provide Congress information to use in determining whether resources are achieving the planned performance improvements. Used together, this information provides a valuable tool to assist Members of Congress and congressional staff in their oversight responsibilities.

Through its legislative support agencies—GAO, Congressional Research Service and the Congressional Budget Office—as well as the Department of Transportation's Inspector General, congressional committees also have access to considerable resources for oversight. For example, GAO's High Risk Series Update includes FAA's Air Traffic Control Modernization program and discusses progress it has made in addressing its problems. The DOT IG annually reports on the top management challenges facing FAA, such as safety and capacity challenges.

Effective communication among agency officials, Members of Congress and congressional staff is needed to ensure that information agencies provide meets committee needs. While considerable information resources are available, they may not be available in a manner that is useful to committees. We have previously reported, in a review of interactions

between the Congress and other executive branch agencies, that although agencies collect and produce a great deal of useful information, much of it did not reach the interested congressional committees, and the information that did reach the committees was difficult to digest, too highly aggregated, or was received too late to be useful.[1] In the case of FAA, House Transportation and Infrastructure Committee staff noted that the agency has a large quantity of information available and effective communication between the staff and the agency, but it is also interested in using technology to gain additional, timely access to agency data when conducting oversight. While FAA provides a great deal of information on its Web site, enhancing access to agency information using technology can improve the timeliness and usefulness of agency information to the Congress. For example, information alerts and summaries from the agency could be effective information sharing tools. Further, regular meetings between committees, staff and agency officials could identify the committee's principal oversight objectives, provide a forum to discuss the issues, and develop the best approaches to meet them.

To further enhance committee access to information about FAA, we recommend the Secretary of the Department of Transportation direct the Administrator of the FAA to implement a number of technology solutions to improve access to information, such as:

- Continue to work with committee staff to further refine the *For Congress* Web site by improving the flow of information and taking advantage of emerging technologies;

- Include a *Frequently Asked Questions* page on the *For Congress* site, allowing oversight committees to quickly find answers to commonly requested items relevant to Congress;

- Add moderated access on the *For Congress* Web site to allow access to information that should be made available to congressional committees, yet may not be appropriate for the general public; and

[1]GAO, *Program Evaluation: Improving the Flow of Program Information to the Congress*, GAO/PEMD-95-1 (Washington, D.C.: Jan. 30, 1995) and GAO, *Managing For Results: Views on Ensuring the Usefulness of Agency Performance Information to Congress*, GAO/GGD-00-35 (Washington, D.C.: January 2000).

- Consider offering regular meetings between the Members of the committee and key staff with senior FAA executives to address matters of mutual concern.

We provided a draft of this report to the Secretary of the Department of Transportation for review and comment. We received comments from FAA officials, including the Deputy Assistant Administrator for Financial Services, on behalf of the Secretary who indicated that they were pleased to have FAA serve as our case study and they would consider the report's recommendations as they continue to strive for excellence in fulfilling the Congress' information needs. They highlighted a number of ways in which they are using technology solutions, including a dedicated Web page for Congress and a subscription e-mail service for Congress to receive notices of new information. We note that both improvements resulted from our discussions with committee and FAA staff, the latter in response to a recommendation contained in the draft of this report.

Agency Performance, Budget, and Financial Management Documents Can Enhance Oversight Efforts

Congressional oversight is the review, monitoring, and supervision of federal agencies, programs and policy implementation. This oversight provides the legislative branch with an opportunity to inspect, examine, review and check the executive branch and its agencies. Congressional oversight includes two different features—that which is ongoing throughout the course of a year and that which is done at a specific time in the year in response to the issuance of the President's budget. For the latter, House and Senate committees with jurisdiction over federal programs are required to submit a views and estimates report—a report containing the committee's comments or recommendations on budgetary matters within its jurisdiction—to its respective budget committees each year within 6 weeks of the submission of the President's budget. For example, the House Transportation and Infrastructure Committee's fiscal year 2006 views and estimates report identified a number of aviation-related issues and recommended increased funding over the President's proposed budget for facilities and equipment to pay for capital improvements designed to increase capacity and reduce aviation gridlock and for airport safety upgrades, including explosive detection systems for airport baggage systems. Ongoing oversight and the specific views and estimates oversight reports can draw information from documents and reports issued by federal departments over the course of the year.

Pursuant to the Government Performance and Results Act of 1993 (GPRA) and other statutes, federal agencies produce performance, budget, and

financial information for internal management purposes and for reporting to Congress which can also be useful to congressional committees to enhance their oversight efforts. GPRA required federal agencies to develop strategic plans with long-term, outcome-oriented goals and objectives, annual goals linked to achieving the long-term goals, and annual reports on the results achieved. The Chief Financial Officers Act of 1990 (CFO) as expanded by the Government Management and Reform Act of 1994 (GMRA) requires annual audited agencywide statements for 24 major federal departments. In the case of FAA, the agency has made available much of the information and analytic resources that Congress needs to conduct its oversight role.

As part of DOT, FAA addresses some of the requirements of GPRA through its inclusion in DOT's Performance and Accountability Report. However, FAA also produces its own strategic plan, unit-specific business plans and performance reports that identify agency priorities, goals, strategies and progress toward these goals and the success of the strategies employed. Collectively, these documents help Congress determine whether FAA's goals are aligned with congressional goals and whether FAA is achieving them. Linking performance information to FAA's budgetary resources, such as FAA is beginning to do in its performance-based budget, can also provide Congress the opportunity to oversee the results planned or achieved with budgeted resources and indicate FAA's priorities for funding. Used together, these agency documents could assist committees in identifying and tracking progress on the issues related to reauthorization and oversight.

FAA's Strategic and Performance Reporting Documents Outline Agency Goals and Priorities

FAA manages performance through a series of integrated performance documents. FAA's principal performance reports are: the strategic plan, called the Flight Plan; unit specific business plans; the annual Performance Accountability Report; and quarterly performance reports. The Flight Plan includes the agency's mission, goals and strategies. In addition, each of FAA's lines of business has a unit-specific business plan that outlines how its actions will support the goals and measures identified in the Flight Plan. FAA monitors and reports on the Flight Plan's key performance targets through quarterly and annual performance reports.

FAA's Strategic Plan

FAA's current 5-year strategic plan, or Flight Plan, is designed to outline the agency's mission, goals and strategies to achieve these goals through 2009, with the overall aim of seeking "to provide the safest, most efficient aerospace system in the world." Among other things, GPRA requires

agencies to consult with Congress and solicit the input of others as they develop these plans—a good opportunity for congressional committees and staff to influence FAA's future. According to FAA senior executives, the Flight Plan is the primary document that identifies the agency's priorities and performance expectations and is the driver of decision making at all levels. As such, the Flight Plan is key for internal agency and congressional oversight purposes. Committees can refer to the plan to determine whether national priorities are appropriately recognized and to raise questions about whether the strategies laid out are likely to lead to success. The Flight Plan identifies four strategic goals (see table 1), each of which are supported by objectives, strategies, initiatives, and performance targets the agency is responsible for achieving. FAA's Flight Plan can be accessed via its Web site at http://www.faa.gov/about/plans_reports/.

Table 1: FAA's Four Strategic Goals

Increased safety	Achieve the lowest possible accident rate and constantly improve safety
Greater capacity	Work with local governments and airspace users to provide capacity in the U.S. airspace system that meets projected demand in an environmentally sound manner
International leadership	Increase the safety and capacity of the global civil aerospace system in an environmentally sound manner
Organizational excellence	Ensure the success of FAA's mission through stronger leadership, a better trained and safer workforce, enhanced cost-control measures, and improved decision making based on reliable data

Source: FAA.

Committees could use the strategic plan to identify oversight questions.[2] For example:

- Do these goals take into account legislative priorities?
- Are the strategies that support each goal consistent with legislative decisions?

[2]GAO previously issued a guide to assist in congressional review of federal departments' strategic plans that includes a number of questions congressional staff may use to initiate discussion with the department and to identify ways to improve the department's strategic plans. GAO, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review*, GAO/GGD-10.1.16 (Washington, D.C.: May 1997).

- How effective are the strategies in achieving these goals?
- How were the specific initiatives and performance targets for each objective strategy developed?
- What key factors—external to FAA and beyond its control—exist and how will FAA mitigate or leverage them as appropriate, if they affect the achievement of the strategic plan goals?
- Does the plan include strategies for working with stakeholders (e.g., airlines, local governments or airport authorities)?

Unit-Specific Business Plans

The agency's Flight Plan is supported by unit-specific performance plans, called business plans. Each line of business and staff office produces annual business plans that demonstrate strategic alignment with the agency Flight Plan and define core business activities. The business plans are important tools for oversight because they provide a detailed description of the activities and responsibilities of each business line in supporting the Flight Plan. Specifically, the business plans define the Flight Plan's performance targets, the specific initiatives that support the performance targets—and type of support required of each line of business (e.g., lead responsibility or support responsibility)—outline the key strategic activities in support of those initiatives; and define strategic activity targets to help gauge progress towards achieving the strategic initiative. The business plans can be found on FAA's external Web site, at http://www.faa.gov/about/plans_reports/business_plan2005/.

For example, the Air Traffic Organization's[3] (ATO) fiscal year 2005 business plan details six strategic initiatives it is employing to help the agency meet its goal to reduce General Aviation (GA) fatal accidents.[4] Each of the strategic initiatives, which indicates whether ATO is the lead business line or is supporting other business lines, includes related strategic activities and activity targets that enable the ATO to further define and measure the degree its performance is contributing to overall agency performance.

[3]The primary mission of the ATO, one of FAA's four business lines, is to move air traffic safely and efficiently. ATO's customers are commercial and private aviation and the military.

[4]General aviation comprises a diverse range of aviation activities, from single-seat homebuilt aircraft, helicopters, balloons, single and multiple engine land and seaplanes, to extended range turbojets.

Table 2 shows an example of one of ATO's strategic initiatives, activities and activity targets for supporting a Flight Plan goal.

Table 2: Example of ATO's Business Plan Efforts to Support a Flight Plan Goal

FAA's Flight Plan performance target	Reduce GA fatal accidents.
Strategic initiative in ATO's business plan supporting Flight Plan's performance target	Human factors: identify human factors that may cause accidents and develop strategies, methods, and technologies that will reduce those accidents (ATO has lead responsibility.)
Strategic activity in ATO's business plan	Develop pilot proficiency recommendations for technically advanced aircraft
Activity target in ATO's business plan	Complete reports on: (1) proficiency standards for technically advanced aircraft, (2) the impact of technology on pilot performance metrics, and (3) the impact of technology on pilot aeronautical decision making

Source: FAA

Committees can use the business plans to identify oversight questions and additional reports that could be made available to them. For example:

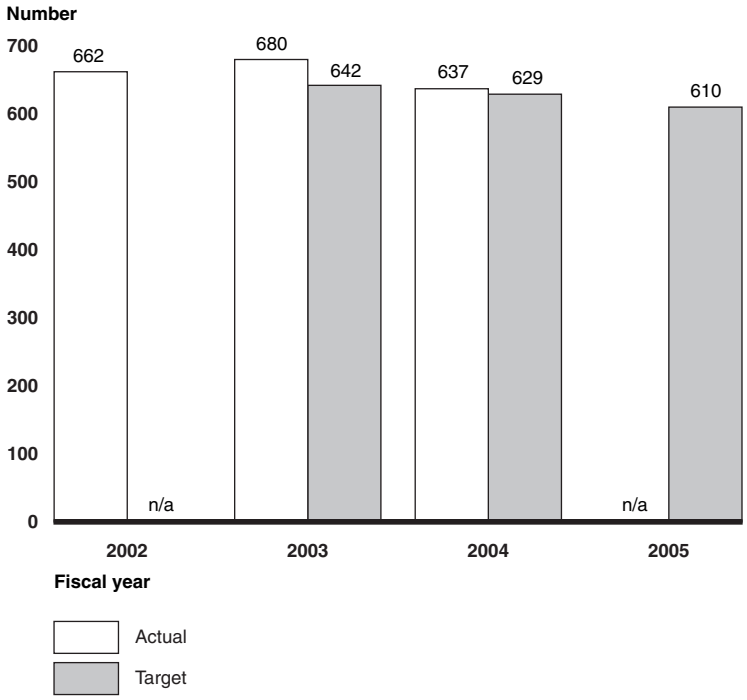
- How will the information from these reports affect the strategies for reducing accidents?
- Do the activities being implemented match congressional priorities?

Annual Performance Reports

FAA annually publishes a detailed account of agency performance, including its audited annual financial statements, in its Annual Performance and Accountability Report (PAR). While this report is not required, FAA believes it is essential to clearly and fairly present and discuss FAA's finances and performance. GPRA requires agencies to measure performance toward the achievement of their goals and report annually on their progress in program performance reports. If a goal was not met, the report must provide an explanation and present the actions needed to meet any unmet goals in the future. These reports provide important information to agency managers, policy makers, and the public on what each agency accomplished with the resources it was given. FAA's PAR provides Congress with annual and historical trend information for its key performance goals. For example, under the strategic goal Increased Safety, FAA has a performance target tied to its goal to reduce the number

of operational errors.[5] Figure 1 shows the trend in the actual number of operational errors between fiscal year 2002 and fiscal year 2005. FAA exceeded its target number of operational errors in fiscal year 2003 by 38 and again in fiscal year 2004 by 8.

Figure 1: Status and Trends: Number of Operational Errors



Source: FAA FY 2004 Performance and Accountability Report 2004 Preliminary data.

Based on this, potential questions for oversight could be:

- What are the primary causes of operational errors?

[5]According to FAA's Fiscal Year 2004 Performance and Accountability Report, an operational error occurs when controllers fail to apply or follow the procedures that enforce separation and allow aircraft to end up too close to each other or to an obstruction. FAA differentiates between technical violations and more severe operational errors, and includes only the severe operational errors for the performance measure to reduce operational errors.

- What changes were put into place between fiscal year 2003 and 2004 to decrease operational errors?

- How was the target for 2005 set and what efforts will be put into place to meet this target?

The financial statements, supplementary information, and notes to the financial statements included in the PAR present historical information, showing the financial activity of the agency for the last 2 fiscal years and the financial position as of the end of each of those years. The five principal financial statements include: consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, consolidated statements of budgetary resources, and consolidated statements of financing. The notes to the financial statements present more detailed information about transactions or conditions reflected in these statements. Often the Management's Discussion and Analysis section of the PAR will address the kinds of operating conditions or changes that financial statement analysis discloses.

The statement of budgetary resources, which interrelates with the other financial statements, includes key information that is also included in the agency's budget. This information is subjected to audit scrutiny, providing some assurance of the reliability of related budgetary information. The individual statements and examples of how they can be used for congressional oversight are discussed in appendix III.

The independent auditor's report included in the PAR tells readers whether or not, or to what extent, the information provided in FAA's financial statements and related notes is, in the opinion of the auditor, fairly stated. This report also includes the auditor's statements on whether FAA had effective internal control over financial reporting and over compliance with laws and regulations, which would indicate whether financial management issues need more attention. They also report on any identified significant matters of noncompliance with selected provisions of applicable laws and regulations. In effect, the audit report is a report card on how well the agency is managed from a financial perspective.

The auditor's unqualified opinions on FAA's financial statements for fiscal years 2002 through 2005 suggest that those statements are sufficiently reliable to be used as a tool for public and congressional oversight. However, the auditor's reports for each of those years disclosed that FAA's financial management systems did not substantially comply with federal

financial management systems requirements under the Federal Financial Management Improvement Act of 1996 (FFMIA)[6], an issue that may warrant additional oversight. For fiscal years 2004 and 2005, the auditor noted, among other things, that in connection with FAA's conversion to Delphi as its core financial system, several key financial systems that feed or support Delphi exhibited weaknesses regarding function, reporting or internal control. In addition, the auditor reported that in 2005 FAA, also in conjunction with the implementation of Delphi, had not timely processed all of its transactions and reconciled all of its key accounts. Similar problems had been reported for fiscal year 2004 by the auditor. While adjustments to the recorded balances were made during the preparation of the year end audited financial statements, these weaknesses could indicate that the agency's financial information during the year may not be fully reliable.

Committee staff could use information from FAA's independent auditor to facilitate an understanding of financial management and compliance issues, addressing questions such as:

- Can users rely on the information provided in FAA's financial statements?
- Did FAA have effective internal control over financial reporting and compliance with laws and regulations?
- Did FAA's independent auditor report on any identified significant matter of noncompliance with applicable laws and regulations?
- Did FAA's financial management improve or deteriorate over the fiscal year?

The answers to the above questions are also key to assessing the reliability of cost accounting information, which is discussed later. Cost accounting information generated from FAA's financial reporting systems is essential to managing on-going agency operations and provides useful information to Congress about the cost of specific programs, activities, or outputs.

[6]FFMIA requires that an agency shall implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

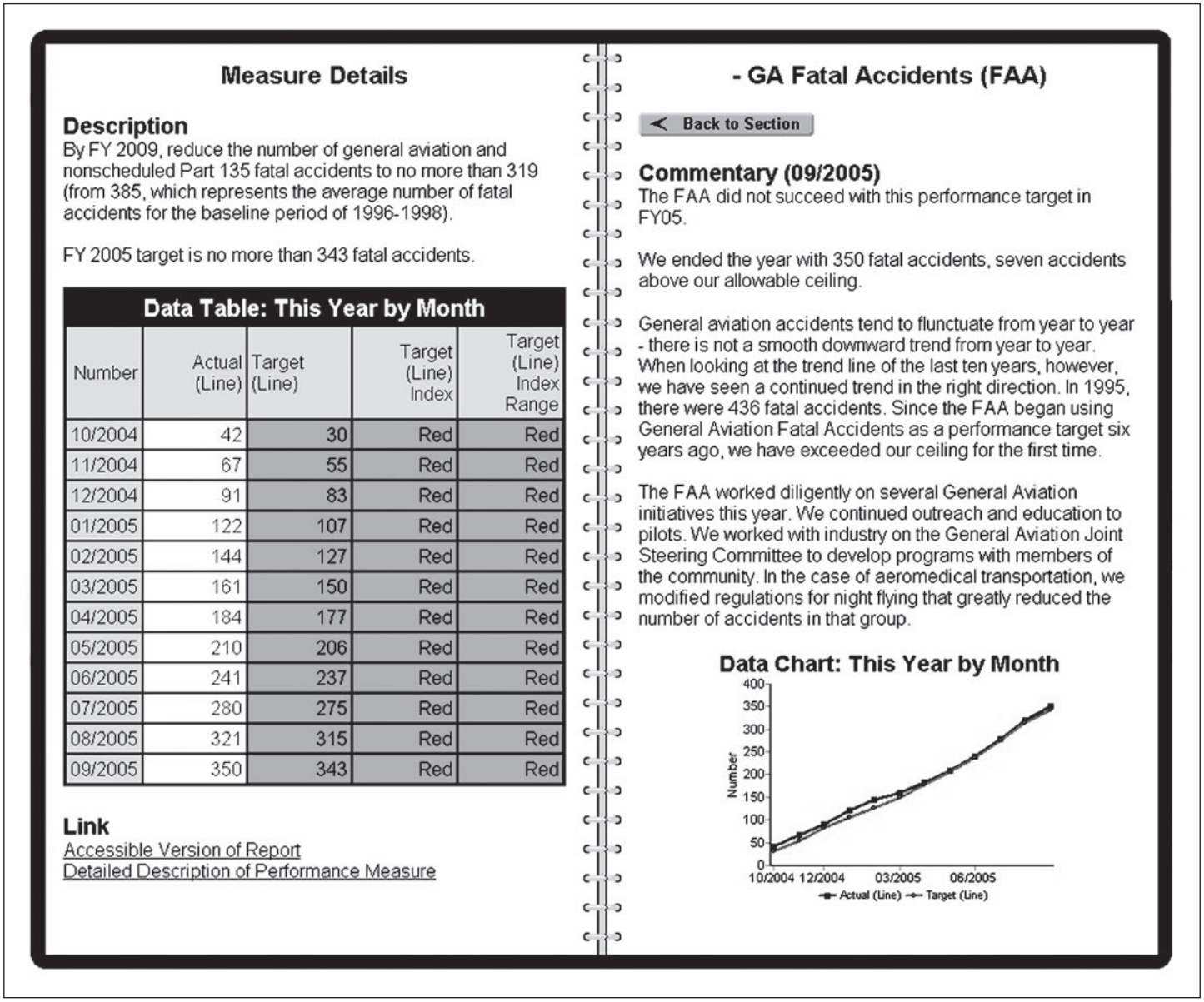
FAA's annual Performance and Accountability Report can be accessed via FAA's Web site at http://www.faa.gov/about/plans_reports/.

Quarterly Performance Reporting

In addition to annual performance reporting, FAA monitors and reports quarterly on performance towards the strategic goals through the tracking of 31 key performance measures. FAA management conducts monthly, day-long meetings with executives from each line of business. At these meetings, the designated leaders for each of the four strategic goals present information related to the performance targets for their goal. Each of the 31 performance targets is displayed using the traffic light graphics colors of red, yellow, and green. When a target is either yellow or red, the goal leader will discuss the steps needed to get to green—which indicates that the performance measure is met.

Committees could use these reports to raise similar questions about ways to improve performance to achieve the performance target. FAA reports performance for these 31 measures on its external Web site quarterly, at http://www.faa.gov/about/plans_reports/Performance/. For example, under the strategic goal Increased Safety, FAA has a performance target tied to its goal to reduce the number of GA fatal accidents. FAA's target for fiscal year 2005 is not to exceed 343 GA fatal accidents. However, according to its final quarterly performance report for fiscal year 2005 published on the FAA Web site, the agency failed to meet its target, with a total of 350 GA fatal accidents, 7 fatal accidents above the target. Figure 2 shows the quarterly report for FAA's measure on GA fatal accidents.

Figure 2: FAA Scorecard for General Aviation Fatalities



Measure Details

Description

By FY 2009, reduce the number of general aviation and nonscheduled Part 135 fatal accidents to no more than 319 (from 385, which represents the average number of fatal accidents for the baseline period of 1996-1998).

FY 2005 target is no more than 343 fatal accidents.

Data Table: This Year by Month

Number	Actual (Line)	Target (Line)	Target (Line) Index	Target (Line) Index Range
10/2004	42	30	Red	Red
11/2004	67	55	Red	Red
12/2004	91	83	Red	Red
01/2005	122	107	Red	Red
02/2005	144	127	Red	Red
03/2005	161	150	Red	Red
04/2005	184	177	Red	Red
05/2005	210	206	Red	Red
06/2005	241	237	Red	Red
07/2005	280	275	Red	Red
08/2005	321	315	Red	Red
09/2005	350	343	Red	Red

Link

Accessible Version of Report
Detailed Description of Performance Measure

- GA Fatal Accidents (FAA)

Back to Section

Commentary (09/2005)

The FAA did not succeed with this performance target in FY05.

We ended the year with 350 fatal accidents, seven accidents above our allowable ceiling.

General aviation accidents tend to flunctuate from year to year - there is not a smooth downward trend from year to year. When looking at the trend line of the last ten years, however, we have seen a continued trend in the right direction. In 1995, there were 436 fatal accidents. Since the FAA began using General Aviation Fatal Accidents as a performance target six years ago, we have exceeded our ceiling for the first time.

The FAA worked diligently on several General Aviation initiatives this year. We continued outreach and education to pilots. We worked with industry on the General Aviation Joint Steering Committee to develop programs with members of the community. In the case of aeromedical transportation, we modified regulations for night flying that greatly reduced the number of accidents in that group.

Data Chart: This Year by Month

Source: FAA.

Committees could use this performance information to identify oversight questions. For example:

- Why was FAA unable to meet its target for fiscal year 2005?
- What has the agency been doing to improve on its performance for this target?
- Does FAA measure the number of nonfatal GA accidents? If so, how does it use those data?

In addition, questions could be raised about the measure itself. For example, why does the measure track the number of GA fatal accidents rather then the rate of GA fatal accidents?

FAA's Budget and Long-Term Planning Documents Can Be Used to Generate Questions About FAA's Planned Resource Use

The annual federal budget is developed using a year-round administrative process of budget preparation and review. By the first Monday in February, the President submits a budget request to Congress for the fiscal year starting on the following October 1. However, preparation of that particular budget request began about 10 months before it was submitted to Congress. For example, for the fiscal year 2006 budget request, transmitted to Congress in February 2005, the budget process began in the spring of 2004. Thus federal agencies deal concurrently with three fiscal years: (1) the current year, that is, the fiscal year in progress; (2) the coming fiscal year beginning October 1, for which they are seeking funds; and (3) the following fiscal year, for which they are preparing information and requests. In the spring and summer, agencies work with the Office of Management and Budget (OMB) to identify major issues for the upcoming budget request, develop and analyze options for the upcoming reviews of agency spending and program requests, and plan for the analysis of issues that will need decisions in the future. In September and October agencies submit their budget requests and other initial materials to OMB, typically on the first Monday after Labor Day of the year prior to the start of the year that the budget request covers. From October to December OMB reviews and briefs the President and senior advisors on the proposed budget policies and recommends a set of proposals after reviewing all agency requests. Budget decisions are passed back to agencies in late November and may be appealed. Final budget decisions are transmitted to Congress in the President's budget request.

At the same time an agency is working to formulate a new budget, it is executing its approved budget by spending the money Congress has appropriated to carry out the objectives of its program legislation. During the budget execution phase, agencies sometimes find they need more

funding than appropriated because of unanticipated circumstances. Under such circumstances, agencies may request and Congress may enact a supplemental appropriation.

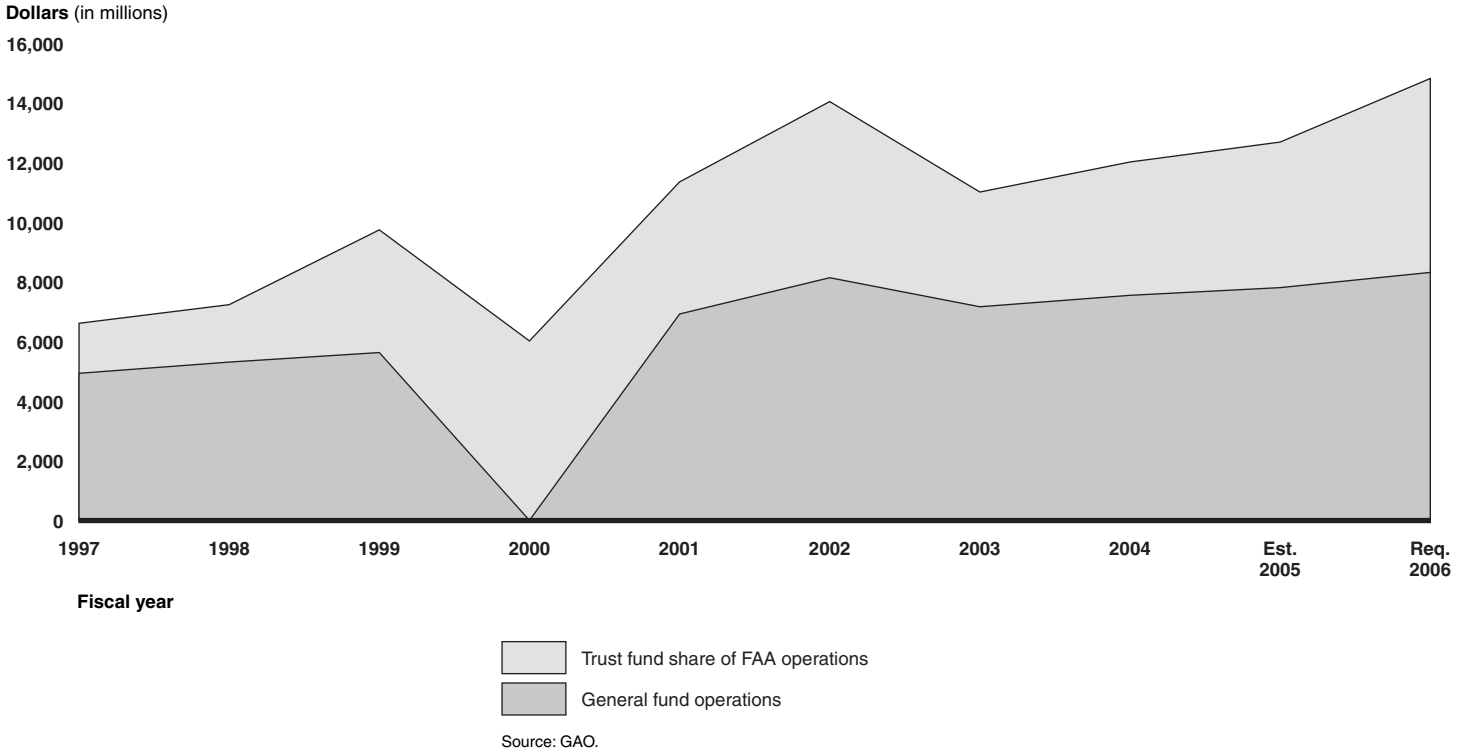
FAA manages and reports budget decisions in several documents that could be used to enhance oversight. The three principal budget documents include the annual budget, the budget-in-brief and the performance-based budget justification. FAA's annual budget presents actual receipts and spending levels for the fiscal year just completed, current year estimated receipts and spending, and estimated receipts and spending for the upcoming year as proposed by the President. The budget-in-brief summarizes the justification for FAA's estimated budget by strategic goal. Finally, FAA's performance-based budget justification provides a more detailed outline of its planned budget according to the Flight Plan's strategic goals and describes the expected performance improvements.

FAA's Budget

The fiscal year 2006 budget reports the total funding for all FAA programs and provides program and financing information by budget account. FAA's budget has four components: operations; facilities and equipment; grants-in-aid for airports; and research, engineering, and development. There are two sources of FAA funding: the airport and airway trust fund, which contains ticket tax and other earmarked receipts, and general fund appropriations. In fiscal year 2006, the trust fund provides all funding for facilities and equipment; the airport improvement grants; and research, engineering and development, as well as partial funding for operations. The general fund is also used for operations and other, smaller accounts.

Many different analyses can be done with budget data to identify oversight questions. For example, as shown in figure 3, fiscal year 2000 general fund financing of operations and maintenance increased from its pre-2000 level.

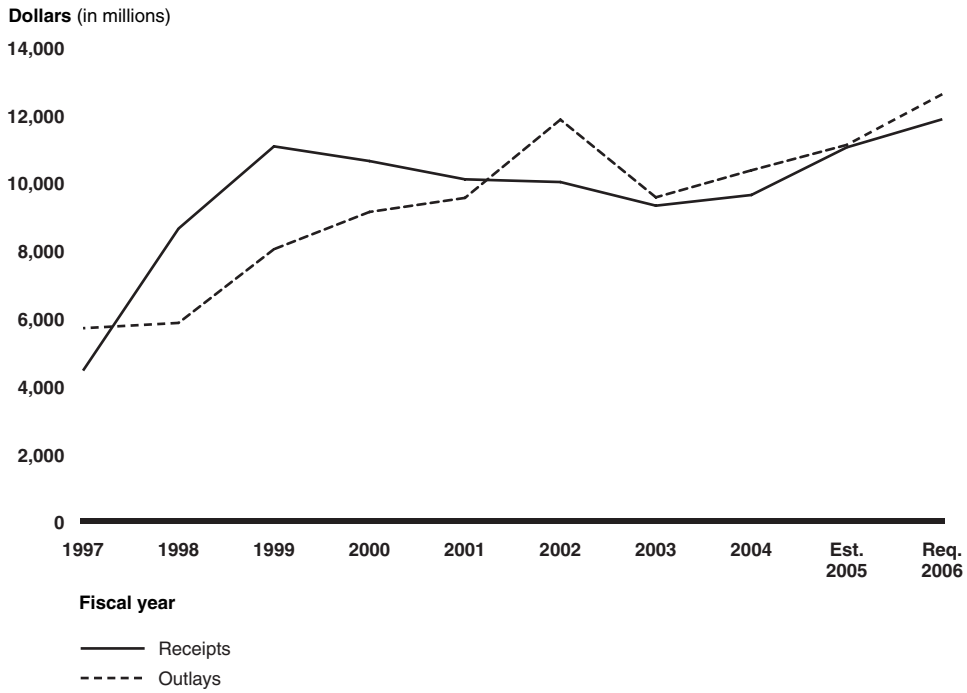
Figure 3: Using Budget Information for Operations Obligations, Trust Fund and General Fund



Source: GAO.

Further, figure 4 shows that trust fund outlays have outpaced receipts since fiscal year 2002, resulting in a decline in the trust fund balance.

Figure 4: Using Budget Information: Trust Fund Outlays Outpacing Receipts Since FY 2002



Source: GAO.

Based on these analyses, some oversight questions could be:

- What steps are being taken to understand the cost drivers of the operations and maintenance portion of budget?
- What is the desired balance between trust fund and general fund financing for FAA operations?

FAA's Budget-In-Brief

FAA's budget-in-brief is a publicly available summary of FAA's budget justification. The budget-in-brief summarizes the FAA's annual budget request by appropriation and by goal area. It provides committees with a quick comparison of resource allocation by goal and program activity for the prior year, current year and the budget year. For example, the budget-in-brief states that safety is FAA's primary goal and proposes spending 71 percent of the fiscal year 2006 request for the safety-related goals shown in table 3. For the goal of reducing GA fatal accidents, FAA is proposing a decrease from fiscal year 2005 in resources for facilities and equipment,

and grants-in-aid for airports, and in the number of full time equivalent employees devoted to this goal.

Table 3: Estimated Funding to Support FAA's Safety Strategic Goal by Performance Goal

Dollars in millions

Performance goal	FY 2004 actual	FY 2005 enacted	FY 2006 request
Reduce commercial fatal accident rate	7,276,192	7,669,769	7,885,275
Reduce general aviation fatal accidents	1,411,095	2,000,514	1,851,296
Zero commercial space accidents	13,019	12,955	13,209
Total Estimated Funding for Safety	**8,700,306**	**9,713,239**	**9,749,780**

Source: FAA's Budget-in-Brief, Fiscal Year 2006.

Based on this, potential questions for oversight could be:

- What changes were made in these areas to permit a reduction in funding while still making progress toward the goal of reducing GA fatalities?
- How is the decrease going to affect more ambitious targets for GA fatal accident reductions in performance plans?
- Was funding shifted from reducing GA fatal accidents to a different safety-related activity? If so, which activity and why?

As table 3 shows, at the same time FAA is proposing decreases in certain types of spending for reducing GA fatal accidents, FAA is proposing budget increases for reducing commercial fatal accident rates and achieving zero commercial space accidents. Another potential oversight question could therefore be: is FAA proposing increases in these other areas—where FAA is meeting its performance targets—while proposing decreases in reducing GA fatal accidents, a goal for which FAA is not meeting its performance target? FAA's budget-in-brief can be accessed on its external Web site at http://www.faa.gov/about/budget/.

FAA's Performance-Based Budget

FAA's performance-based budget, first done in fiscal year 2005 and submitted to the appropriations committees, is a prominent source of both performance and budgetary information on FAA and could also be useful for oversight. It highlights FAA's identified resource needs and what the

agency deems to be the most important performance goals for that particular year. One goal of agency performance budgets is to show the relationship between resources and incremental improvements in performance. Congressional oversight could focus on whether planned performance improvements were achieved with the resources provided or, if not, raise questions about why they were not achieved.

For example, FAA's fiscal year 2005 performance-based budget shows a request for $10.2 million to reduce GA fatalities through the implementation of the Flight Services Automation System (FSAS) and Operational and Supportability Implementation System (OASIS). According to the budget, FSAS and OASIS will enable flight specialists to more efficiently provide weather and flight information, thereby aiding in the reduction of accidents through increased pilot awareness of weather conditions along the flight route. Committees could use information from the performance-based budget to oversee spending on and installation of the systems. For example:

- Was the installation completed within the originally estimated funding level?
- What percentage of GA fatal accidents results from the pilots' insufficient knowledge of weather conditions?
- Are the GA fatality rates decreasing in areas where the installation has occurred?

FAA's Other Long-Term Planning and Budget Documents

FAA also produces some long-term planning and budget documents that could be helpful for oversight. Intended to integrate and coordinate longer-term perspectives and needs of organizations affecting airspace usage, these documents are:

- National Plan of Integrated Airport Systems,
- Operational Evolution Plan,
- The Next Generation Air Transportation System Integrated Plan, and
- Capital Investment Plan.

The first three plans were cited by FAA officials as key documents presenting FAA's long-term direction. The National Plan of Integrated

Airport Systems for 2005 to 2009 identifies 3,344 airports that are significant to national air transportation and, therefore, eligible to receive grants under the FAA's Airport Improvement Program. The plan and grant program support the Flight Plan's goals of increased safety and greater capacity. The plan describes the condition and performance of the airport system according to six performance areas: safety, capacity, pavement condition, financial performance, surface accessibility, and noise. In addition, the plan provides cost estimates for needed improvements to airports by airport type—large, medium or small hub primary; no hub primary; non-primary commercial service; relievers;[7] or general aviation—and by purpose of development—safety, security, reconstruction, standards, environment, airfield capacity, terminal buildings, ground access, and new airports. The projects are not prioritized, but inform the grant decisions for the Airport Improvement Program. The National Plan of Integrated Airport Systems for 2005 to 2009 can be accessed on FAA's Web site at http://www.faa.gov/airports_airtraffic/airports/planning_capacity/npias/.

Based on this plan, some oversight questions could be:

- How are the projects in the National Plan of Integrated Airport Systems selected for airport improvement grants?

- To what extent have the grant-funded improvements to airports achieved performance improvements for the Flight Plan goals of increased safety and greater capacity?

The Operational Evolution Plan, created in collaboration with the aviation community, the Department of Defense, the National Weather Service and the National Aeronautics and Space Administration, is a rolling 10-year tactical implementation plan designed to increase the capacity and efficiency of the national airspace system[8] by approximately 30 percent within its initial 10-year horizon. The plan identifies four specific areas for improvement: terminal area, en route, and airport congestion; and air

[7]According to the National Plan of Integrated Airport Systems, relievers are high capacity general aviation airports located in metropolitan areas.

[8]The national airspace system consists of a network of navigational aids and a number of air traffic control facilities designed to operate in conjunction with the various defined classes of airspace. These classes are subdivided into controlled, uncontrolled, special use, and other airspace categories.

traffic management flow efficiency. It also identifies milestones for expected improvements at each of the airports included in the plan. The Operational Evolution Plan can be accessed on FAA's Web site at http://www.faa.gov/programs/oep/.

Based on this plan, some oversight questions could be:

- Are the milestones for expected improvements realistic and are they being met?
- As airport improvements are completed what has been the impact on congestion? Are the changes as great as anticipated?

The Next Generation Air Transportation System Integrated Plan is a multiorganization plan designed to transform the nation's air transportation system to meet expected needs in 2025. This plan outlines eight transformation strategies that will be researched, developed, implemented and maintained by teams composed of federal, state, and local governments; quasi-government research institutions; universities; and the private sector. For each strategy there is a description of the research area and milestones for completion.

Table 4: Example of a Strategy and Research Area in the Next Generation Air Transportation System Integrated Plan

Strategy	Develop airport infrastructure to meet future demand. Provide a system that meets or exceeds user demand by integrating airport, airspace and air traffic management design, development, and deployment. Airport infrastructure must address the need to expand in a way that meets future capacity while satisfying the other objectives. This strategy is intended to provide customers a wide-range of options for air transportation in an efficient cost-conscious manner.
Research areas	Develop requirements and concepts for servicing a variety of future demands, from maximizing overall metropolitan area capacity to servicing smaller communities. Groundside questions address airport access alternatives and associated transportation, security, and information systems requirements, such as regional airports and city check-in by specific location.

Source: Next Generation Air Transportation System Integrated Plan.

Based on this plan, some oversight questions could be:

- How do the strategic goals and performance targets in the Flight Plan and unit-specific business plans relate to these transformation strategies?
- How were these transformation strategies identified?

FAA also reports on long-term capital financing options in the Capital Investment Plan (CIP), which is a rolling 5-year financial plan that allocates planned funding to NAS projects. The Secretary of Transportation transmits the CIP to Congress each year at the time of the President's annual budget submission. It includes estimated expenditures for each line item in the facilities and equipment budget for the current fiscal year and for the following 4 years. However, the CIP includes only projects that are likely to receive funding rather than all initiatives originally considered.

According to the CIP, a project's planned funding is based on its support for the agency's strategic goals and performance targets. As such, the CIP is an important oversight tool because it not only details estimated expenditures, but also provides the agency's rationale for spending federal dollars on specific projects—or a group of related projects—and explains how such spending will enhance the agency's ability to meet its strategic goals, and ultimately its mission.

Based on this plan, potential questions for oversight could include:

- Are the projects clearly linked to agency goals and priorities?
- What other projects could meet these goals and priorities? Why were they rejected?

Cost Accounting Provides Detailed Operating Cost Analysis

Financial accountability goes beyond an agency's obtaining an unqualified opinion on its annual financial statements. The key to financial accountability is obtaining accurate and useful information on a timely and ongoing basis to support day-to-day managerial decisions and oversight. As a critical part of its new Delphi financial management system installation, FAA's cost accounting system (CAS) draws upon accounting information in Delphi to provide financial information that can be used to monitor ongoing operations as well to plan for the future. CAS has been principally implemented in the ATO and Commercial Space Transportation, which together comprise over 80 percent of FAA's budget. FAA's other two lines of business, Aviation Safety and Airports are expected to implement CAS in fiscal year 2006.

CAS takes direct cost data from DOT's financial management system and allocates those costs from the organization that incurred the costs to the organization, product, or service that benefited from the costs. The system allows analysis of costs aggregated within a program, activity, location or

strategic goal. Allocated costs can also be used in an analysis of comparative operating efficiency for different operating periods or different locations. An example is a ratio of costs to a nonfinancial activity measure, such as cost per day, per employee, or per flight. Apparent abnormalities in trends or at particular locations may then be investigated. For example, at FAA the direct cost of an air traffic controller at a terminal would be allocated to airport operations, in proportion to takeoffs and landings, which are a major "driver" of those costs. Similarly, the indirect cost of a maintenance technician would be allocated to the lines of business that benefited from those costs using an appropriate allocation base.

A financial scoreboard in use at FAA regularly tracks trends in these unit costs, overhead rates, and other performance measures. Tracking these trends is key to identifying operating inefficiencies and, when projected to anticipated operating volumes, can help determine future financing needs.

According to FAA, CAS provided labor and overhead cost data which were used in the preparation of a competitive sourcing study for ATO flight service stations. The cost data were used as a basis to estimate the future cost of those existing in-house flight services. Comparison of those projected in-house costs to the costs of procuring the services from bidders in the private sector resulted in contracting out ATO Flight Service Stations in fiscal year 2005 at a projected contract savings of about $2.2 billion through fiscal year 2015. FAA has also reported that CAS data led to cancellation of a $27 million airport weather program and to savings of $7 million from modification of an airport radar surveillance program.

CAS can break down the full costs for the individual activities undertaken to provide each of ATO's services[9]—En Route, Oceanic, Flight Services, and Terminal Services—by location, program and function. Using this kind of information, a separate fiscal year 2004 performance report prepared by ATO displayed unit costs of certain activities and services as well as some overall ATO revenue and cost trend analyses and other performance measures. The report cited a reduction of ATO's total unit cost per flight by

[9]ATO's services include: (1) En Route, the monitoring of aircraft during flight provided by 21 Air Route Traffic Control Centers; (2) Oceanic, procedural air traffic control provided from three locations in the United States; (3) Flight Services, telephone and radio communication provided by 61 automated stations that have been substantially contracted out; and (4) Terminal Services, including air traffic control, provided by a network of over 400 combined control facilities, terminal radar facilities, and towers.

$17, or 4.21 percent. This type of report is a tool for ongoing congressional oversight, addressing key operating issues identified by ATO management.

Committees could use information from FAA's cost accounting system to better understand costs and performance of individual programs, activities, or outputs, addressing questions such as:

- What is the total cost of ATO services per flight?
- How do this year's costs per flight compare to last year's?
- How does the per flight cost of traffic controllers compare among airports?

CAS can be used to link costs to strategic performance areas and to combine air traffic safety data with financial information. FAA has also used cost finding techniques for selected programs during the fiscal year 2006 budget cycle to estimate the marginal cost of performance, i.e., the incremental results that might be achieved at different levels of funding.

Analytical Agencies and Organizations Can Provide Information and Analysis to Enhance Oversight Efforts

Through its legislative support agencies—GAO, Congressional Research Service and the Congressional Budget Office—and the Department of Transportation's Inspector General, congressional committees also have access to considerable resources for oversight. See appendix II for a summary of additional information resources.

GAO, as the investigative arm of Congress, examines the use of public funds; evaluates federal programs and activities; and provides analyses, options, and other assistance to help Congress make effective oversight, policy, and funding decisions. Several documents that GAO produces on an ongoing basis or as part of a body of work may prove useful to congressional committees when setting an oversight agenda.

- ***GAO Strategic Plan (2004-2009)***[10] GAO's strategic plan, which has been updated every 2 years since 2000, describes the trends and issues that are likely to affect congressional decision makers over the 6-year period of the plan. It also provides GAO's plans for analyses and other

[10]GAO, *GAO Strategic Plan (2004-2009)*, GAO-04-534SP (Washington, D.C.: March 2004).

activities to help support Congress's information needs. One of GAO's strategic objectives is to support congressional and federal efforts to obtain and maintain a safe, secure, and effective national physical infrastructure. Several performance goals under this objective involve transportation-related issues, including assessing efforts to improve safety and security in the nation's transportation system and assess the impact of transportation policies and practices. As such, oversight committees can look to GAO for information on these issues and more.

- ***High-Risk Series: An Update***[11] Since 1990, GAO has periodically reported—generally at the start of each new Congress—on government operations it identifies as having a high risk of fraud, waste, abuse, and mismanagement. Increasingly, the list has grown to include programs or agencies that need urgent attention or transformation, such as the Department of Homeland Security. In the January 2005 update, GAO presented the status of areas previously identified as high-risk. These included two involving FAA—FAA Financial Management and FAA Air Traffic Control modernization. We determined that FAA's progress in improving financial management overall, a high-risk area since 1999, has been sufficient to remove it from the list. However, while FAA had made progress in addressing root causes of problems with its Air Traffic Control modernization, originally designated as high-risk in 1995, we maintained the high-risk designation. Therefore, the status of FAA's Air Traffic Control modernization may be an area for oversight by the Transportation and Infrastructure Committee.

- ***21st Century Challenges: Reexamining the Base of the Federal Government***[12] In February 2005, GAO issued a report on 21st century challenges facing the nation—including the federal government's long-term fiscal imbalance and changing demographics—that suggests the need to reexamine the base of the federal government. The report is intended to help Congress address these challenges by providing a series of illustrative questions, both generic and for 12 examination areas that could help support a fundamental and broad-based reexamination initiative. One of the 12 examination areas we identified is transportation, in which the report describes FAA's challenge in

[11]GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

[12]GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

addressing the declining revenues in the Aviation Trust Fund and how that could affect funding for the agency. Committees could ask the related illustrative question: Should the federal government continue to provide public financing to stimulate private financing in areas such as aviation, where a mix of private and public beneficiaries exists?

In addition, through our review of federal programs and activities, we have a large body of work on aviation issues, FAA management, programs, and performance. Further, committees can also request additional evaluations to address issues of further interest. Recent examples of these reports include the following:

- *National Airspace System: Initiatives to Reduce Flight Delays and Enhance Capacity Are Ongoing but Challenges Remain;*[13]
- *Airport and Airway Trust Fund: Preliminary Observations on Past, Present, and Future;*[14]
- *Air Traffic Control: FAA Needs to Ensure Better Coordination When Approving Air Traffic Control Systems;*[15]
- *Air Traffic Control: FAA's Acquisition Management Has Improved, but Policies and Oversight Need Strengthening to Help Ensure Results;*[16]
- *Aviation Safety: FAA Needs to Strengthen the Management of Its Designee Programs;*[17]

[13]GAO, *National Airspace System: Initiatives to Reduce Flight Delays and Enhance Capacity Are Ongoing but Challenges Remain*, GAO-05-755T (Washington, D.C.: May 26, 2005).

[14]GAO, *Airport and Airway Trust Fund: Preliminary Observations on Past, Present, and Future*, GAO-05-657T (Washington, D.C.: May 4, 2005).

[15]GAO, *Air Traffic Control: FAA Needs to Ensure Better Coordination When Approving Air Traffic Control Systems*, GAO-05-11 (Washington, D.C.: Nov. 17, 2004).

[16]GAO, *Air Traffic Control: FAA's Acquisition Management Has Improved, but Policies and Oversight Need Strengthening to Help Ensure Results*, GAO-05-23 (Washington, D.C.: Nov. 12, 2004).

[17]GAO, *Aviation Safety: FAA Needs to Strengthen the Management of Its Designee Programs*, GAO-05-40 (Washington, D.C.: Oct. 8, 2004).

- *National Airspace System: FAA Has Made Progress but Continues to Face Challenges in Acquiring Major Traffic Control Systems*;[18]

DOT's OIG works within DOT to promote effectiveness and head off, or stop, waste, fraud and abuse in departmental programs through audits and investigations. The OIG also consults with Congress about programs in progress and proposed laws and regulations. The OIG also publishes semiannual reports, which summarize its recent audits and investigations. In addition, the OIG annually reports on the top management challenges facing DOT. DOT's Top Management Challenges report can be found at: http://www.oig.dot.gov/item.jsp?id=1701. Three challenges identified in the most recent management challenges report by the OIG,[19] relate wholly to FAA.

- **Mitigating flight delays and relieving congestion—actions needed to meet demand.** The OIG report states that the growth in aviation operations has brought an increase in the number of aviation delays, with the incidence, rate, and length of delays in the summer of 2005 approaching 2000 levels, generally regarded as the worst summer of aviation delays. The report states that DOT will need to develop a toolbox of relief measures to use including new construction, technological improvements, procedural changes, administrative controls, and market-based solutions. The report also states that new runways provide the most increases in capacity, and that DOT and FAA will need to ensure the navigation equipment and airspace modifications are in place before the eight new runway projects, planned to be completed by 2008, are constructed. Finally, FAA will need to continue to consider the use of market-based solutions to mitigate congestion, such as schedule caps and congestion pricing.

- **Reauthorizing aviation programs—establishing requirements and controlling costs are prerequisites for examining FAA financing options.** The OIG report states that a major focus of the FAA over the next year will be preparing to reauthorize a wide range of aviation programs and exploring alternative financing mechanisms. Challenges

[18]GAO, *National Airspace System: FAA Has Made Progress but Continues to Face Challenges in Acquiring Major Traffic Control Systems*, GAO-05-331 (Washington, D.C.: June 10, 2005).

[19]*Top Management Challenges: Department of Transportation*, November 15, 2005, PT-2006-007.

facing FAA include (1) controlling costs with major acquisitions by delivering new systems that work, are on time, and are within budget, and by making decisions on the scope of billion-dollar projects that have been delayed for years; (2) getting control of support service contracts, reducing associated costs, and following through on the implementation of new procedures; (3) establishing requirements for the next generation air traffic management system; (4) addressing the expected surge in controller attrition and negotiating an affordable and equitable bargaining agreement; and (5) completing a cost-accounting system to reduce costs and improve operations.

- **Aviation safety—developing effective oversight programs for air carrier operations, repair station maintenance, and operational errors.** The OIG report states that the FAA maintains an impressive safety record, but still faces challenges with air carrier and repair station oversight as a result of financial uncertainty, competition from low-cost carriers, and rebounding air traffic. Further, the report states that the FAA experienced an increase in the number of reported operational errors—when planes come too close together in the air—over the past year, and at additional locations where operational errors were not reported.

Regular Communication and Timely Access to Useful Information Can Enhance Oversight

Effective communication among agency officials, Members of Congress and congressional staff is needed to ensure that information agencies provide meets committee needs. While considerable information resources are available, they may not be available in a manner that is useful to committees. We have previously reported, in a review of interactions between the Congress and other executive branch agencies, that although agencies collect and produce a great deal of useful information, much of it did not reach the interested congressional committees, and the information that did reach the committees was difficult to digest, too highly aggregated, or was received too late to be useful.[20] While FAA provides a great deal of information on its Web site, enhancing access to agency information using technology can improve the timeliness and usefulness of agency information to the Congress. For example, information alerts and

[20]GAO, *Program Evaluation: Improving the Flow of Program Information to the Congress*, GAO/PEMD-95-1 (Washington, D.C.: Jan. 30, 1995) and GAO, *Managing For Results: Views on Ensuring the Usefulness of Agency Performance Information to Congress*, GAO/GGD-00-35 (Washington, D.C.: January 2000).

summaries from the agency could be effective information sharing tools. Further, regular meetings between committees, staff and agency officials could identify the committee's principal oversight objectives, provide a forum to discuss the issues, and develop the best approaches to meet them.

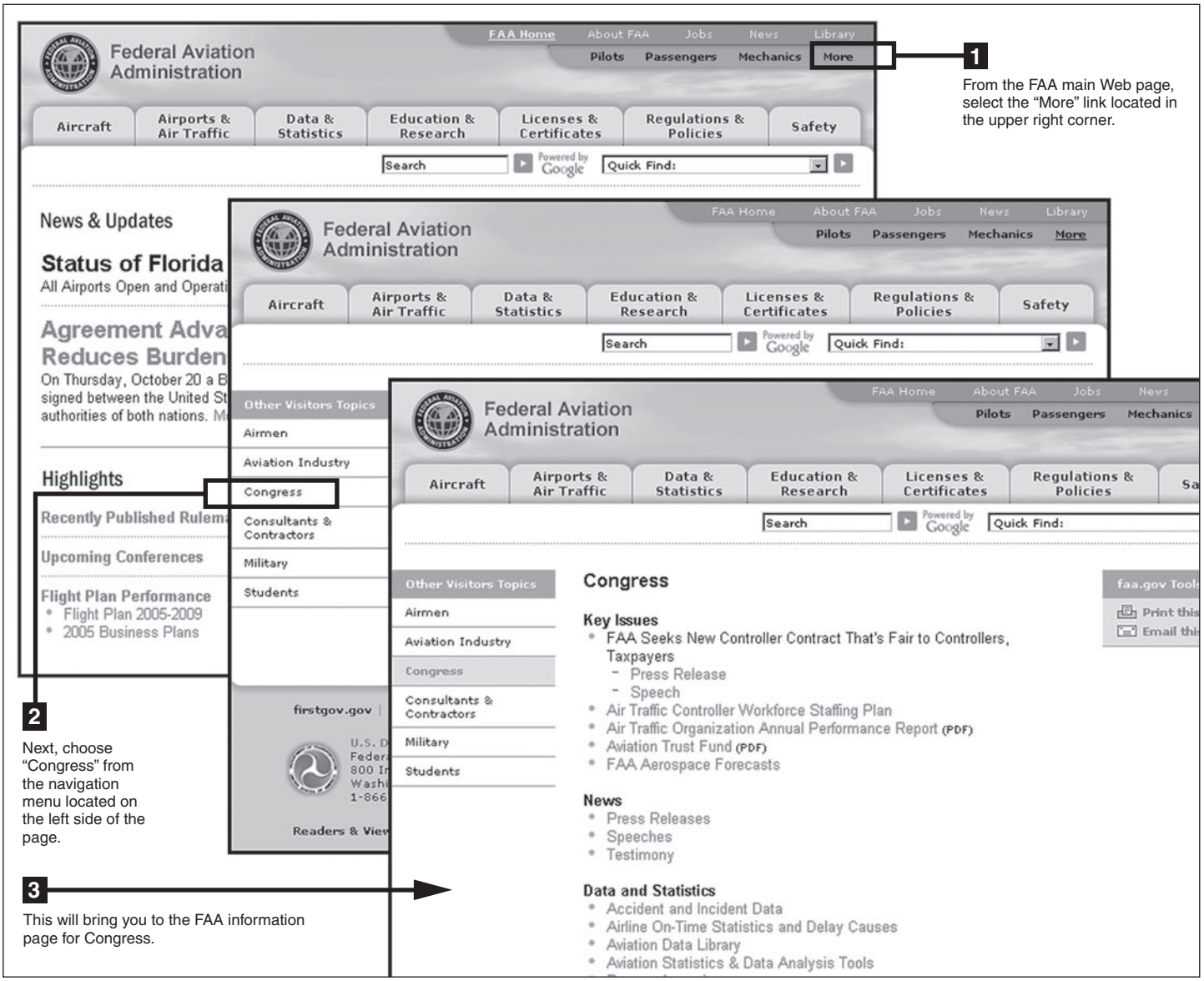
Access to Timely and Useful Agency Information Could Improve Committee Oversight

Providing relevant agency information using technology solutions can improve committee access and minimize the effort required of agency staff. House Transportation and Infrastructure Committee staff indicated that FAA has a large quantity of information available and effective communication between the staff and the agency, but it is also interested in using technology to gain additional, timely access to agency data when conducting oversight. From our discussions with committee and agency staff, improving access through technology solutions could meet the needs of both groups. Access to information could be improved by

- A *For Congress* page on FAA's Web site,
- A *Frequently Asked Questions* section on the *For Congress* Web site,
- A Web site subscription service notifying committee staff when relevant information has been updated, and
- Moderated access rights to selected FAA documents.

Several applications allowing Web-based access to information could benefit both the committee seeking information as well as the agency that provides information. For example, as a result of our discussions with committee and agency staff, FAA has initiated a *For Congress* page on its Web site. The page provides a single point of access for information committee staff identified in our discussions as relevant for oversight, as shown in figure 5. In addition, following a recommendation contained in our draft report, FAA added a subscription e-mail service to notify congressional users about new information available, such as new press releases and speeches by agency officials. We had pointed out that a subscription service could enhance the timeliness in which Congress receives information for oversight. For example, a subscription service notifying committees when notices of proposed rulemakings and other regulatory or policy guidance documents are published would give committees relevant information in a timely manner.

Figure 5: FAA's *For Congress* Web site Page



Source: FAA.

The *For Congress* Web site could be further improved by including a *Frequently Asked Questions* (FAQ) section to provide information often requested by committees. According to a manager within FAA, the agency provides a great deal of budget information to Congress in response to

questions for the record (QFRs) that are submitted by the appropriations committees of both chambers. However, the agency response is shared only with the requesting committee, even though it could be useful to all committees involved in oversight. In addition, many of these QFRs, as well as other requests for information, are handled in an ad hoc manner by individual FAA officials. When similar requests for information arrive, FAA officials often have to create an entirely new response. An FAA official said they had a general FAQ section, available on the bottom of all FAA Web pages, but it does not include the QFRs, or other questions regarding FAA planning, budgeting or performance. A FAQ section on the *For Congress* Web page could minimize agency efforts by allowing it to post requested information once, rather than tying up valuable time and resources by repeatedly responding to similar questions. In addition, sharing agency responses to congressional information requests could enable quick access to information likely to assist in other congressional efforts.

Other uses of technology, such as granting moderated access rights to selected FAA documents, could also enhance committee access to information. Moderated access would allow increased access of FAA information to committee staff, beyond what is available on the agency's public Web site. To provide moderated access, individual committee staff would be issued accounts or use passwords to obtain access to information restricted to congressional users. The content allowed through the moderated access would be negotiated between the agency and committee. One way for committees to identify documents that are available would be to provide increased search capabilities on the FAA Web site. Increasing the Web site search capability would allow committees to identify what information exists, even if the entire document content was not immediately available. Using this knowledge of what information exists, committees could better identify exactly which of the information they would like to have made available through moderated access.

Regular Meetings Between Committees and Agency Officials Could Provide a Forum to Discuss Oversight Issues

We have previously reported in a review of interactions between Congress and other executive branch agencies, that communication between committees and agency staff is often one-way, with little opportunity for direct discussion. According to Transportation and Infrastructure Committee staff, they generally contact the agency when they have a specific question, on an ad hoc basis. Transportation and Infrastructure Committee staff and experts we interviewed said constant communication with agencies within the committee's jurisdiction, both formal and informal, could contribute to successful oversight. Developing a routine

schedule of meetings could create a degree of certainty for both parties that issues important to each will be discussed. The timing, frequency, attendees, and agenda items could be negotiated in advance by both parties. Meetings could serve several purposes—they could be used to identify the committee's principal oversight objectives, provide a forum to discuss the issues, and develop the best approaches to meet them.

Agency officials that we spoke with also supported regular meetings with committees. An FAA official said establishing an effective way to regularly communicate with Transportation and Infrastructure Committee staff would better enable FAA to directly inform the committee about emerging issues, whereas now the committee often relies on third party analysis and information. They understood that such meetings were not only opportunities for the committee to improve its oversight capacity, but also were opportunities for the agency to identify issues that may have received less attention and to help put the large amount of performance, budget, and financial information in a broader context so that committees can better understand the agency's operations. The potential benefits of regular committee and agency staff meetings were evident during the constructive discussions coordinated by GAO for this report.

Conclusions

In order to conduct effective oversight of federal agencies and programs, congressional committees need access to timely and useful information. The types of information we identified as available for FAA management could also be used for oversight. Moreover, these types of information are produced routinely by all federal agencies and could be used by committees of jurisdictions to regularly monitor agency performance.

However, as government grows more complex and agencies produce more information, it becomes harder for Congress to access, analyze, and summarize this information to develop its policy positions and legislative enactments. New ways must be continually found to use emerging technology and approaches to make agency information transparent and readily available. But despite the availability of information, and in FAA's case, its public accessibility, more can be done to make this information readily accessible to congressional committees. In particular, improving access to information via technology solutions like those described in this report could allow congressional committees to access information as needed and minimize the number of duplicative information requests agencies are asked to respond to. In addition, establishing a schedule of routine meetings will provide congressional committees and agency

officials with the opportunity to discuss in-depth the issues and challenges facing all federal agencies, including FAA. Establishing a collaborative approach to oversight will allow more consistent, rather than ad hoc, committee oversight. Importantly, these findings constitute lessons learned that may be transferable to other agencies.

Recommendations for Executive Action

We recommend the Secretary of the Department of Transportation, direct the Administrator of FAA, to take the following actions to further enhance committee access to FAA information:

- Continue to work with committee staff to further refine the *For Congress* Web site by improving the flow of information and taking advantage of emerging technologies;
- Include a *Frequently Asked Questions* page on the *For Congress* site, allowing oversight committees to quickly find answers to commonly requested items relevant to Congress;
- Add moderated access on the *For Congress* Web site to allow access to information that should be made available to congressional committees, yet may not be appropriate for the general public;
- Consider offering regular meetings between the Members of the committee and key staff with senior FAA executives to address matters of mutual concern.

Agency Comments

We provided a draft of this report to the Secretary of the Department of Transportation for review and comment. We received comments from FAA officials, including the Deputy Assistant Administrator for Financial Services, who indicated that they were pleased to serve as our case study and they would consider the report's recommendations as they continue to strive for excellence in fulfilling the Congress' information needs. The officials said that they endeavor to ensure Congress is fully informed of FAA's planned and ongoing programs and activities, relying on a staff of dedicated professionals who know and understand the needs of Congress to maintain a steady flow of useful information to Congress. The officials also said that they make extensive use of technology to enhance the information available to Congress. They noted that a considerable amount of information is available to Members of Congress and their staff in a

section of FAA's Web site dedicated to serving the information needs of Congress—as our report notes, an improvement developed as a result of discussions between agency and congressional staff during our review. In addition, they indicated they had created a subscription e-mail service to enable committee staff to be notified when information is updated on their Web site, such as with new press releases and speeches by agency officials. As noted earlier, this action was recommended in our draft report; consequently, since FAA has taken these steps, we have eliminated the recommendation from the final report.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days after its issuance date. At that time, we will send copies of this report to the Secretary of Transportation and will make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at http://www.gao.gov.

Please contact me on (202) 512-6543 if you or your staff have any questions about this report. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this report. Other contacts and staff acknowledgments are listed in appendix IV.

Sincerely yours,

Bernice Steinhardt
Director, Strategic Issues

Objectives, Scope and Methodology

The objectives of this report were to identify (1) information FAA produces that could enhance congressional oversight; (2) other available information resources that could enhance congressional oversight; and, (3) how committee access to FAA's information could be improved to enhance timeliness and usefulness.

To identify the information and delivery mechanisms that would enhance the committee's ability to oversee FAA programs and management, we met with staff from the U.S. House of Representatives Committee on Transportation and Infrastructure and its subcommittee on Aviation.

To identify information produced by FAA that could enhance oversight, we met with FAA senior officials from numerous offices, including several lines of business—Airports; Air Traffic Organization; and Aviation Safety—and staff offices—Aviation Policy, Planning and Environment; Financial Services; Government and Industry Affairs; Human Resources and Management. In addition, we met with officials from the Chief Information Office/Office of Information Services and the Office of Inspector General for the Department of Transportation.

To identify information resources external to FAA that could enhance congressional oversight, we met with officials from other government entities such as the Congressional Research Service, the General Service Administration's FirstGov initiative, and the Office of Management and Budget. In addition, we met with technology representatives from Lexis-Nexis. Finally, we attended meetings with representatives from the Mercatus Center, CATO Institute, and the Heritage Foundation, hosted by the House Committee on Transportation and Infrastructure.

In addition, we reviewed FAA performance, budget and financial documents and FAA's Web site. We also reviewed reports and evaluations produced by analytical agencies and organizations and prior GAO work in this area.

Written comments from FAA are included in appendix II. We conducted our work from September 2004 through November 2005 in accordance with generally accepted government auditing standards.

Analytical Agencies and Organizations Can Provide Information and Analysis to Enhance Oversight Efforts

Table 5: Analytical Resource for Congressional Oversight, as Illustrated by FAA Information

GAO www.gao.gov	• ***GAO Strategic Plan (2004-2009)*** (GAO-04-534SP). GAO's strategic plan, which has been updated every 2 years since 2000, describes the trends and issues that are likely to affect congressional decision makers over the 6-year period of the plan. It also provides GAO's plans for analyses and other activities to help support Congress's information needs. One of GAO's strategic objectives is to support congressional and federal efforts on a safe, secure, and effective national physical infrastructure. Several performance goals under this objective involve transportation-related issues, including assessing efforts to improve safety and security in the nation's transportation system and the impact of transportation policies and practices. As such, committee oversight staff can look to GAO for support on these issues and more. GAO's strategic plan can be found at: http://www.gao.gov/sp.html. • ***High-Risk Series: An Update*** (GAO-05-207). Since 1990, GAO has periodically reported—generally at the start of each new Congress—on government operations it identifies as having a high risk of fraud, waste, abuse, and mismanagement. Increasingly, the list has grown to include programs or agencies that need urgent attention or transformation, such as the Department of Homeland Security. In the January 2005 update, GAO presented the status of areas previously identified as high-risk. These included two involving FAA—FAA Financial Management and FAA Air Traffic Control modernization. We determined that FAA's progress in improving financial management overall, a high-risk area since 1999, has been sufficient to remove it from the list. However, while FAA had made progress in addressing root causes of problems with its Air Traffic Control modernization, originally designated as high-risk in 1995, we maintained the high-risk designation. Therefore, the status of FAA's Air Traffic Control modernization may be an area for oversight by the Transportation and Infrastructure Committee staff. *GAO's High Risk Series: An Update* can be found at: http://www.gao.gov/docsearch/featured/highrisk.html. • ***21st Century Challenges: Reexamining the Base of the Federal Government*** (GAO-05-325SP). In February 2005, GAO issued a report on 21st century challenges facing the nation—including the federal government's long-term fiscal imbalance and changing demographics—that suggests the need to reexamine the base of the federal government. The report is intended to help Congress address these challenges by providing a series of illustrative questions, both generic and for 12 examination areas, that could help support a fundamental and broad-based reexamination initiative. One of the 12 examination areas we identified is transportation, in which the report describes FAA's challenge in addressing the declining revenues in the Aviation Trust Fund and how that could affect funding for the agency. Committee staff could use the related illustrative question—should the federal government continue to provide public financing to stimulate private financing in areas such as aviation where a mix of private and public beneficiaries exists? GAO's 21st Century Challenges Report can be found at http://www.gao.gov/index.html. In addition, through our review of federal programs and activities, we have a large body of work on aviation issues, FAA management, programs, and performance. Further, committee staff can also request additional evaluations to address issues of further interest. Recent examples of these reports include: • *National Airspace System: Initiatives to Reduce Flight Delays and Enhance Capacity Are Ongoing but Challenges Remain* (GAO-05-755T) • *Airport and Airway Trust Fund: Preliminary Observations on Past, Present, and Future* (GAO-05-657T) • *Air Traffic Control: FAA Needs to Ensure Better Coordination When Approving Air Traffic Control Systems* (GAO-05-11) • *Air Traffic Control: FAA's Acquisition Management Has Improved, but Policies and Oversight Need Strengthening to Help Ensure Results* (GAO-05-23) • *Aviation Safety: FAA Needs to Strengthen the Management of Its Designee Programs* (GAO-05-40)

(Continued From Previous Page)

DOT's Inspector General www.oig.dot.gov	DOT's OIG works within DOT to promote effectiveness and head off, or stop, waste, fraud and abuse in departmental programs through audits and investigations. The OIG also consults with Congress about programs in progress and proposed laws and regulations. Twice a year, the OIG also publishes semiannual reports, which summarize its recent audits and investigations. In addition, the OIG annually reports on the top management challenges facing DOT. DOT's Top Management Challenges report can be found at: http://www.oig.dot.gov/item.jsp?id=1701. Three challenges identified in the most recent management challenges report by the OIG[a] relate wholly to FAA • **Mitigating flight delays and relieving congestion—actions needed to meet demand.** The OIG report states that the growth in aviation operations has brought an increase in the number of aviation delays. The incidence, rate, and length of delays this past summer is approaching 2000 levels, which was generally regarded as the worst summer of aviation delays. The report states that DOT will need to develop a toolbox of relief measures, including construction, technological improvements, procedural changes, administrative controls, and market-based solutions, that can be used as appropriate. The report also states that new runways provide the most increases in capacity, and that DOT and FAA will need to ensure the navigation equipment and airspace modifications are in place before the eight runway projects, planned to be completed by 2008, are constructed. Finally, FAA will need to continue to consider use of market-based solutions to mitigate congestion, such as schedule caps and congestion pricing. • **Reauthorizing aviation programs—establishing requirements and controlling costs are prerequisites for examining FAA financing options.** The OIG report states that a major focus of the FAA over the next year will be preparing to reauthorize a wide range of aviation programs and explore alternative financing mechanisms. Challenges facing FAA include: (1) controlling costs with major acquisitions by delivering new systems that work, are on time, and are within budget, and making decisions on the scope of billion-dollar projects that have been delayed for years; (2) getting control of support service contracts, reducing associated costs, and following through on the implementation of new procedures; (3) establishing requirements for the next generation air traffic management system; (4) addressing the expected surge in controller attrition and negotiating an affordable and equitable bargaining agreement; and (5) completing a cost-accounting system to reduce costs and improve operations. • **Aviation safety—developing effective oversight programs for air carrier operations, repair station maintenance, and operational errors.** The OIG report states that the FAA maintains an impressive safety record, but still faces challenges with air carrier and repair station oversight as a result of financial uncertainty, competition from low-cost carriers, and rebounding air traffic. Further, the report states that the FAA experienced an increase in the number of reported operational errors—when planes come too close together in the air—over the past year, and additional locations where operational errors were not reported.
Program Assessment Rating Tool (PART) www.whitehouse.gov/omb/	PART is a diagnostic tool created as a central component to the President's Management Agenda, and is intended to assess and improve program performance and results by providing a consistent approach to evaluating the management and performance of federal programs. It is used by the Office of Management and Budget to conduct oversight. PART evaluates a program's (1) purpose and design, (2) strategic planning, (3) program management, and (4) program results (e.g., whether a program is meeting its long-term and annual goals).[b] PART has been used to assess five FAA programs from the fiscal year 2006 budget • Air traffic services • Grants-in-aid for airports • Facilities and equipment • Regulation and certification • Research, engineering and development

(Continued From Previous Page)

The President's Management Agenda (PMA) www.results.gov	The President's Management Agenda identifies five governmentwide goals to improve federal management and deliver results. The goals are strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. The Executive Branch Management Scorecard tracks how well the departments and major agencies are executing the five governmentwide initiatives. The scorecard employs a stoplight grading system: green for success, yellow for mixed results, and red for unsatisfactory. The Department of Transportation, of which FAA is a part, received a rating of green for the strategic management of human capital, competitive sourcing, expanded electronic government and budget and performance integration, and a rating of red for improved financial performance in the September 2005 ratings.
Congressional Research Service (CRS) www.crs.gov	CRS, a department of the Library of Congress, is a nonpartisan analytical, research, and reference arm for Congress with the mission to support an informed national legislature. CRS serves Congress throughout the legislative process by providing comprehensive and reliable legislative research, analysis, and information services that are timely, objective, nonpartisan, and confidential. CRS is organized into five interdisciplinary research divisions: American Law; Domestic Social Policy; Foreign Affairs, Defense and Trade; Government and Finance; and Resources, Science and Industry. Recent CRS reports related to the FAA include: • *Aviation Taxes and Fees: Major Issues* (Order Code RS21321) • *Avoiding Gridlock in the Skies: Issues and Options for Addressing Growth in Air Traffic* (Order Code RL32707) • *Federal Transportation Funding: Selected Programs Fiscal Years 1994-2004* (Order Code RL32472) • *Fiscal Year 2006 Appropriations for the Department of Transportation* (Order Code RL32945) • *Vision 100: An Overview of the Century of Aviation Reauthorization Act (Pub. L. No. 108-176)* (Order Code RL32498)
Congressional Budget Office (CBO) www.cbo.gov	CBO is a nonpartisan legislative branch agency that produces material to inform congressional decisions on spending and taxes. Specifically, CBO publishes cost estimates and mandate statements for congressional bills, reports needed for the budget process, budgetary and economic analytical studies, policy briefs, background papers, and a monthly budget review of the fiscal activity of the government. CBO is organized into six divisions: budget analysis, heath and human resources, macroeconomic analysis, microeconomic studies, national security, and tax analysis. CBO publications containing information on FAA include: • *Budget Options* (February 2005) • *Financing Small Commercial-Service Airports: Federal Policies and Options* (April 1999) Examples of relevant CBO cost estimates include: • *H.R. 1496, Return of General Aviation to Ronald Reagan Washington National Airport Act of 2005* (May 4, 2005) • *H.R. 2115, Vision 100-Century of Aviation Reauthorization Act* (Dec. 9, 2003)
Think Tanks	Think tanks engage in a range of policy-related activities, and comprise a diverse set of institutions that have varied organizational forms. They could provide information and research to enhance congressional oversight.
Industry, Interest and User Groups	Industry, interest and user groups are public and private organizations involved in the aviation industry that could provide research and information to inform committee staff on oversight issues.

Source: GAO.

[a]Top Management Challenges: Department of Transportation, Nov. 15, 2005, PT-2006-007.

[b]For GAO's assessment of OMB's PART, see GAO, Performance Budgeting: PART Focuses on Program Performance, but More Can Be Done to Engage Congress, GAO-06-28 (Washington, D.C.: Oct. 28, 2005) and GAO, Performance Budgeting: Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget, GAO-04-174 (Washington, D.C.: Jan. 30, 2004).

Financial Statements Provide Insights into Agency Financial Management and Resources

FAA's annual financial statements can be used to analyze the agency's operating results and its financial position. Most of this analysis involves looking at how various individual reported amounts interrelate or represent the agency as a whole, and how those amounts or relationships change from period to period. The historical information presented can establish a baseline for estimates of future operations and funding needs.

Agency financial information can be valuable for

- facilitating an understanding of an agency's operations;
- providing a common database for the development, analysis, and debate of alternative policies;
- supporting an historical perspective from which to evaluate future plans, budgets, and spending proposals;
- assessing agency accountability for actual results when compared to budgets; and
- evaluating program costs.

Further information regarding federal financial statements can be found in a guide to the annual financial report of the U.S. Government, published recently by GAO. This guide can be helpful to Congress and taxpayers in evaluating both governmentwide financial reports and those of individual agencies.[1]

FAA's Balance Sheet

FAA's balance sheet shows an end-of-the-year view of its overall financial position, its assets (what it owns), its liabilities (what it owes), and the difference between the two (its net position). A wide variety of analyses can be applied to information presented in FAA's consolidated balance sheets for fiscal years 2003 and 2004, which are presented in Figure 6.

[1]GAO, *Understanding the Primary Components of the Annual Financial Report of the United States Government*, GAO-05-958SP (Washington, D.C.: September 2005).

Figure 6: FAA's Consolidated Balance Sheets for Fiscal Years 2003 and 2004

U.S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED BALANCE SHEETS
As of September 30
(Dollars in Thousands)

Assets	2004	2003
Intragovernmental		
Fund balance with Treasury (Note 2)	$ 2,840,663	$ 2,833,723
Investments (Note 3)	10,318,029	10,819,257
Accounts receivable, advances, and other (Note 4)	215,989	168,722
Total intragovernmental	13,374,681	13,821,702
Accounts receivable, advances, and other, net (Note 4)	173,283	63,411
Inventory and related property, net (Note 5)	585,709	581,766
Property, plant, and equipment, net (Notes 6 & 9)	14,469,731	13,397,607
Total assets	$ 28,603,404	$ 27,864,486
Liabilities		
Intragovernmental liabilities		
Accounts payable	$ 61,041	$ 9,324
Employee related, legal and other (Notes 8 & 9)	287,026	344,868
Total intragovernmental liabilities	348,067	354,192
Accounts payable	649,005	669,693
Environmental cleanup costs (Note 7 & 19)	606,261	621,953
Employee related, legal, and other (Notes 8 & 9)	959,527	859,124
Federal employee benefits (Note 10)	954,463	1,041,568
Total liabilities	3,517,323	3,546,530
Commitments and contingencies (Notes 9 & 19)		
Net position		
Unexpended appropriations	999,146	562,595
Cumulative results of operations	24,086,935	23,755,361
Total net position	25,086,081	24,317,956
Total liabilities and net position	$ 28,603,404	$ 27,864,486

The accompanying notes are an integral part of these financial statements.

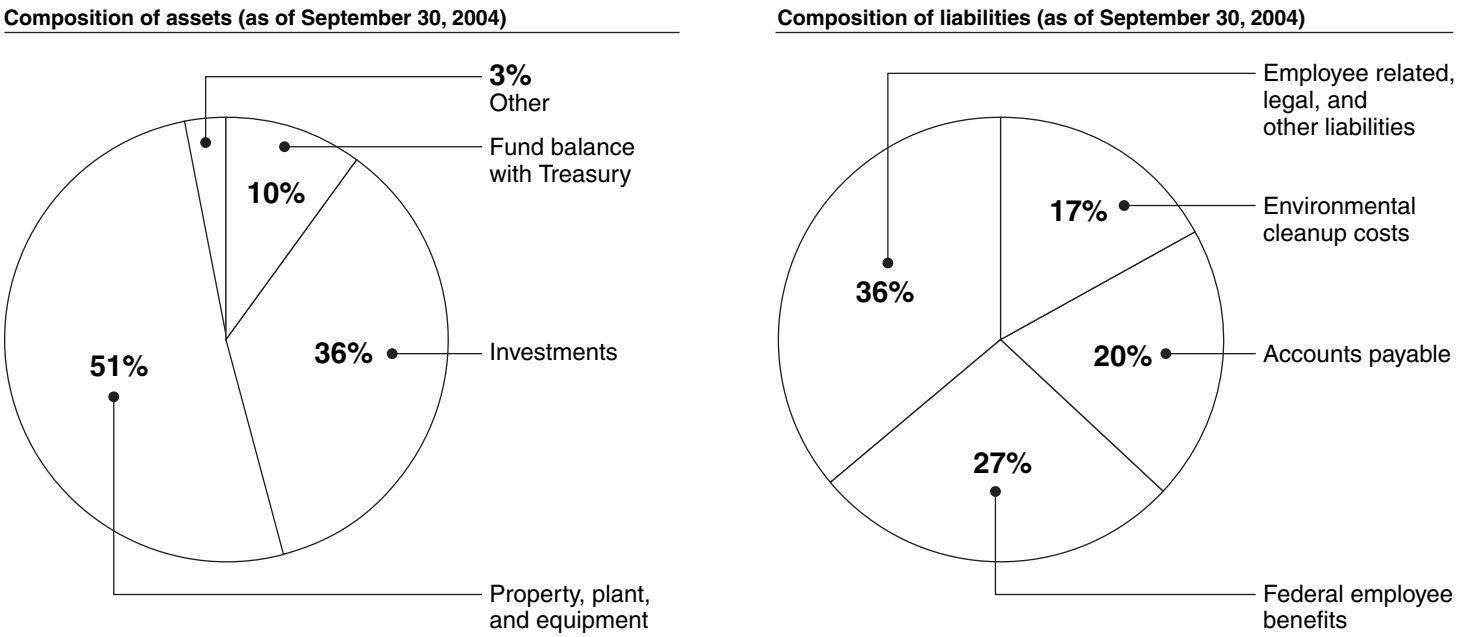
Source: FAA's fiscal year 2004 Performance and Accountability Report.

Committee staff could use information from FAA's balance sheet to facilitate a better understanding of the agency's financial position, addressing questions such as

- What are FAA's largest asset and liability categories?
- What is the makeup of FAA's assets and liabilities?
- What future funding may be required to replace deteriorating operating assets and to satisfy long-term liabilities?

For example, as shown in Figure 7, FAA's two largest asset categories are property, plant, and equipment valued at about $14.5 billion and investments valued at about $10.3 billion. For additional information about the makeup of these assets, the balance sheet refers readers to the related notes. Referring to the related note 6, one can learn that the acquisition value (cost) of personal property (e.g. equipment) increased by $1.3 billion, or 10 percent, from fiscal year 2003 to fiscal year 2004, and that the sizeable increase in the reported cost of property, plant, and equipment includes new acquisitions of National Airspace System equipment. The balance sheet and notes also show that FAA has significant amounts invested in the Airport and Airway Trust Fund but that the balance of these investments fell during fiscal year 2004. A possible inquiry to the FAA might address a relationship between the investment balance and additions to property, plant and equipment. Also disclosed in note 6, the accumulated depreciation of each asset class is one potential indicator of the relative deterioration of those assets. Accumulated depreciation is ultimately limited to the original acquisition value of an asset, and substantially depreciated assets may possibly soon require funding for their replacement.

Figure 7: Composition of FAA's Assets and Liabilities, as of September 30, 2004



Source: FAA's fiscal year 2004 Performance and Accountability Report, Management's Discussion and Analysis.

The balance sheet also indicates a significant percentage increase in accounts receivable that are not intragovernmental transactions among federal entities. Though less significant than some of the other amounts shown in the balance sheet, such an increase might warrant a follow-up discussion with FAA regarding its cause and whether this indicates a new trend that will require funding from additional appropriations in the future.

Statement of Net Cost

FAA's statement of net cost is intended to show how much it costs taxpayers to operate FAA. Net cost is calculated by subtracting any earned revenues from gross cost, which include program costs as well as administrative costs, resulting in FAA's costs to taxpayers. As shown in Figure 8, FAA's statement of net costs presents cost information for each of its four major lines of business – air traffic organization, regulation and certification[2], airports, and commercial space transportation -- and two categories that are not lines of business, including agency overhead.

[2]The FAA PAR for fiscal year 2005 presents a line of business called aviation safety in place of regulation and certification.

Figure 8: FAA's Consolidated Statements of Net Cost for Fiscal Years 2003 and 2004

U.S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED STATEMENTS OF NET COST
For the Years Ended September 30
(Dollars in Thousands)

Line of business programs (Note 12)	2004	2003
Air Traffic Organization		
Expenses	$ 8,214,526	$ 8,222,442
Less earned revenues	(135,515)	(123,746)
Net costs	8,079,011	8,098,696
Regulation & Certification		
Expenses	942,377	943,135
Less earned revenues	(2,649)	(1,126)
Net costs	939,728	942,009
Airports		
Expenses	2,977,300	2,786,717
Less earned revenues	(232)	(224)
Net costs	2,977,068	2,786,493
Commercial Space Transportation		
Expenses	12,527	11,725
Net costs	12,527	11,725
Non line of business programs		
Regional and center operations and other programs		
Expenses	389,954	342,107
Less earned revenues	(240,866)	(256,386)
Net costs	149,088	85,721
Not assigned to programs		
Expenses	36,572	61,486
Less earned revenues	-	(34,794)
Net costs	36,572	26,692
Net cost of continuing operations	12,193,994	11,951,336
Transferred operations - Civil Aviation Security (Note 15)		
Expenses	-	124,705
Less earned revenues	-	(77,455)
Net costs	-	47,250
Net cost of operations		
Total expenses	12,573,256	12,492,317
Less earned revenues	(379,262)	(493,731)
Total net cost	$ 12,193,994	$ 11,998,586

The accompanying notes are an integral part of these financial statements.

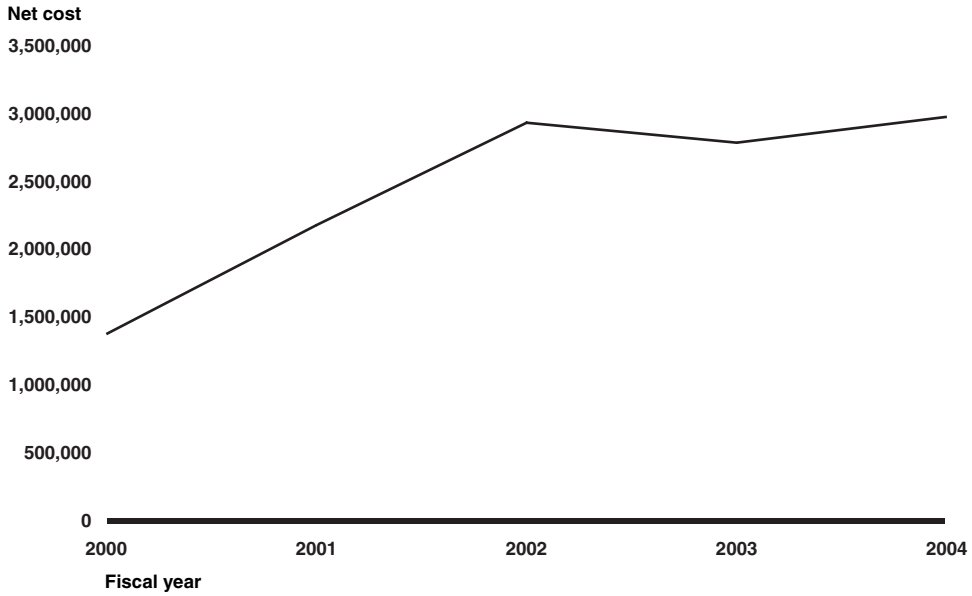
Source: FAA's fiscal year 2004 Performance and Accountability Report.

Committee staff could use information from FAA's statement of net cost to enhance their understanding of possible future cost trends, addressing questions such as:

- How much did FAA's net cost increase or decrease from the prior fiscal year?
- Which of FAA's programs experienced the largest increase and which experienced the largest decrease in net cost from the prior fiscal year?
- Which of FAA's programs accounted for most of its net cost?

For example, FAA's statements of net cost for fiscal years 2003 and 2004 show that other than a nearly $200 million (6.8 percent) increase in net costs related to the airport program, operating results were substantially consistent for those two years, indicating that future operating costs of FAA's other business lines may be stable. Based on the airports' program increase, a reader may decide to perform further analysis using FAA's statements of net cost from prior fiscal years. As shown in Figure 9, further analysis of the airport program over time indicates that net costs for the program have doubled over the last four fiscal years. This may prompt questions to determine the causes for the increase, whether this growth was expected and, going forward, how much the airport program should continue to grow.

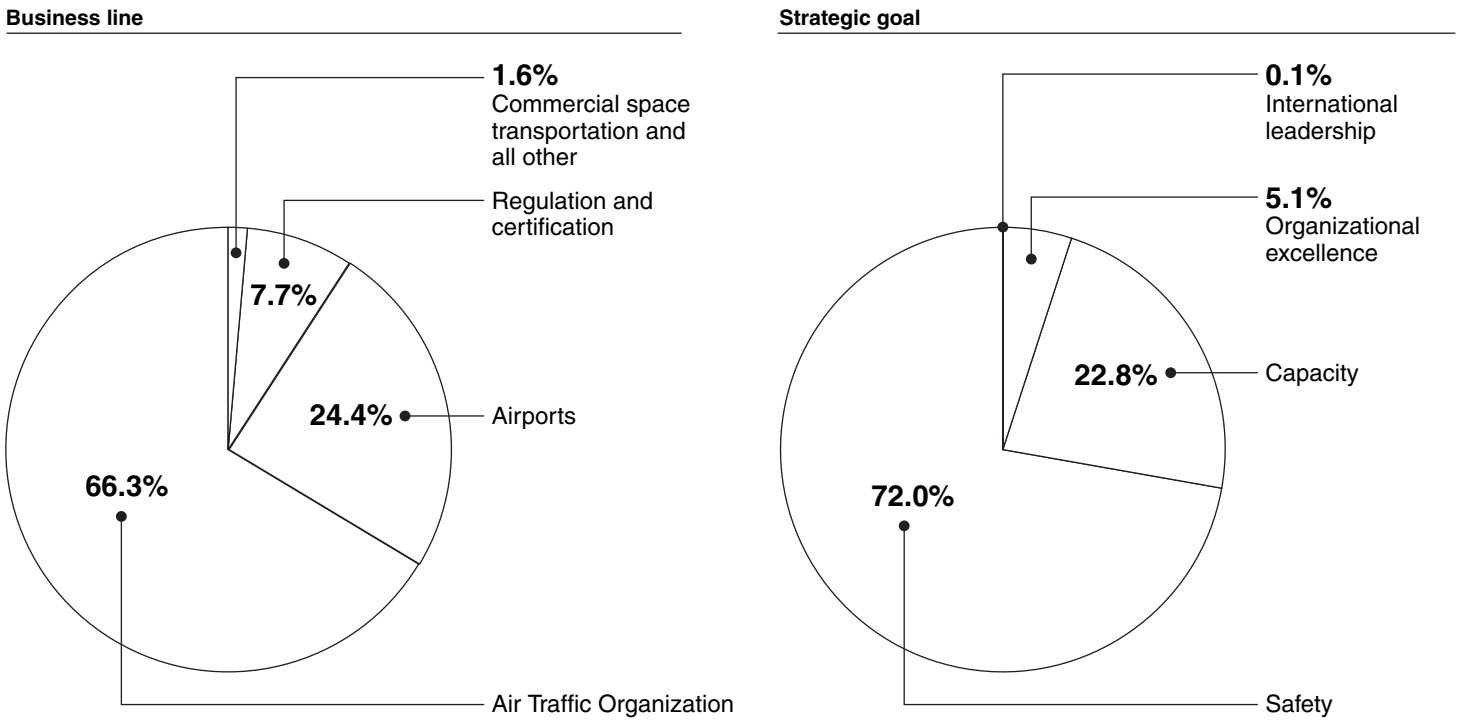
Figure 9: Net Costs for FAA's Airport Program for Fiscal Years 2000 through 2004



Source: GAO analysis of information obtained from FAA's fiscal year 2000 through 2004 Performance and Accountability Reports.

FAA provides additional information about the distribution of net costs in note 12 of its financial statements, which is summarized in Figure 10. This information shows that FAA's most costly line of business was air traffic organization, which accounted for about two-thirds of its net costs. The net cost information provided in note 12 also shows that 72 percent of FAA's net costs were used to support its strategic goal of safety. Using the information about net costs disclosed by FAA, a reader can consider whether FAA's current cost distribution appropriately reflects its strategic goals and congressional priorities, or whether resources should be redirected.

Figure 10: Composition of FAA's Net Costs, for Fiscal Year 2004, by Business Line and Strategic Goal



Source: GAO analysis of information obtained from FAA's fiscal year 2004 Performance and Accountability Report.

Statement of Changes in Net Position

FAA's statement of changes in net position shows how it financed its operations for the fiscal year. It shows the agency's net position at the beginning of the fiscal year, the major inflows and outflows of funds that caused the net position to change during the year, and the ending net position. FAA's statements of changes in net position for fiscal years 2003 and 2004 are displayed in figure 11.

Figure 11: FAA's Consolidated Statements of Changes in Net Position for Fiscal Years 2003 and 2004

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30
(Dollars in Thousands)

	2004		2003	
	Cumulative results of operations	Unexpended appropriations	Cumulative results of operations	Unexpended appropriations
Beginning balances	$ 23,755,361	$ 562,595	$ 23,518,258	$ 481,919
Budgetary financing sources				
Appropriations received (Note 16)	-	3,032,925	-	3,273,241
Appropriations transferred-in/out	-	-	-	250
Rescissions, cancellations and other	-	(64,644)	-	(42,269)
Appropriations used	2,531,730	(2,531,730)	3,150,546	(3,150,546)
Excise taxes and associated revenue (Note 13)	9,674,509	-	9,360,469	-
Transfers-in/out without reimbursement	(101,662)	-	(123,169)	-
Other financing sources				
Donations and forfeitures of property and other	-	-	32,218	-
Transfers-in/out without reimbursement	(72,508)	-	(36,457)	-
Transferred operations (Note 15)	-	-	(643,621)	-
Imputed financing from costs absorbed by others (Note 14)	493,499	-	495,703	-
Total financing sources	12,525,568	436,551	12,235,689	80,676
Net cost of operations	12,193,994	-	11,998,586	-
Ending balances	$ 24,086,935	$ 999,146	$ 23,755,361	$ 562,595

The accompanying notes are an integral part of these financial statements.

Source: FAA's fiscal year 2004 Performance and Accountability Report.

Committee staff could use information from the statement of changes in net position to facilitate a better understanding of FAA's financial position and direction, addressing questions such as:

- What were FAA's primary financing sources and how much did they increase or decrease?
- To what extent did FAA's excise tax revenue cover its net costs?
- Did FAA's net position improve or deteriorate?

For example, FAA's statement of changes in net position shows that FAA is primarily financed through excise tax revenue and appropriations. However, fiscal year 2004 appropriations used decreased by about 20 percent from the previous year, while excise taxes and associated revenue rose by about three percent, conditions that if analyzed in greater detail, might reveal important information about the agency's future aggregate spending or income trends. For example, the decrease from fiscal year 2003 to 2004 in appropriations used approximated the amount associated with FAA's 2003 transferred operations, leading a reader to infer that the two are related. However, analyzing the trend of this information going forward may tell a different story about the agency's direction. If the trend indicated by FAA's statement of changes in net position for fiscal year 2004 continues, FAA may be able to meet more of its costs through service fees and excise taxes rather than appropriated funds. Also, the percentage composition of financing sources can be compared to that of other agencies or programs.

Statement of Budgetary Resources

The statement of budgetary resources presents the amount of budgetary resources available during the fiscal year and the status of those resources at the end of the year. This statement provides basic information about budget authority made available from appropriations, fee collection, and, when applicable, borrowing authority. The relationship of obligations to outlays is also presented for the fiscal year. FAA's statements of budgetary resources for fiscal years 2003 and 2004 are displayed in figure 12.

Figure 12: FAA's Consolidated Statements of Budgetary Resources for Fiscal Years 2003 and 2004

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30
(Dollars in Thousands)

	2004	2003 AS RESTATED
Budgetary resources (Note 16)		
Budget authority	$ 17,615,716	$ 16,644,463
Unobligated balance brought forward, transfers and other	1,107,702	932,850
Spending authority from offsetting collections	675,454	726,484
Recoveries of prior year obligations	190,918	249,157
Temporarily not available pursuant to public law	(78,874)	-
Permanently not available	(3,451,054)	(3,229,132)
Total budgetary resources	$ 16,059,862	$ 15,323,822
Status of budgetary resources		
Obligations incurred	$ 14,230,011	$ 14,166,146
Unobligated balance available	1,113,378	676,205
Unobligated balance not available	716,473	481,471
Total status of budgetary resources	$ 16,059,862	$ 15,323,822
Relationship of obligations to outlays		
Obligated balance, net, beginning of period	$ 8,644,480	$ 7,998,136
Cancelled appropriations and other	(9)	15,702
Obligations incurred	14,230,011	14,166,146
Less: Spending authority from offsetting collections and receipts and recoveries of prior year obligations	(866,372)	(975,738)
Less: Obligated balance, net, end of period	(9,173,060)	(8,644,480)
Net outlays	$ 12,835,050	$ 12,559,766
Outlays		
Disbursements	$ 17,756,831	$ 17,322,760
Collections, net of offsetting receipts	(4,921,781)	(4,762,994)
Net outlays	$ 12,835,050	$ 12,559,766

The accompanying notes are an integral part of these financial statements.

Source: FAA's fiscal year 2004 Performance and Accountability Report.

Committee staff could use information from FAA's statement of budgetary resources to obtain an overview of the agency's financial position and direction, addressing questions such as:

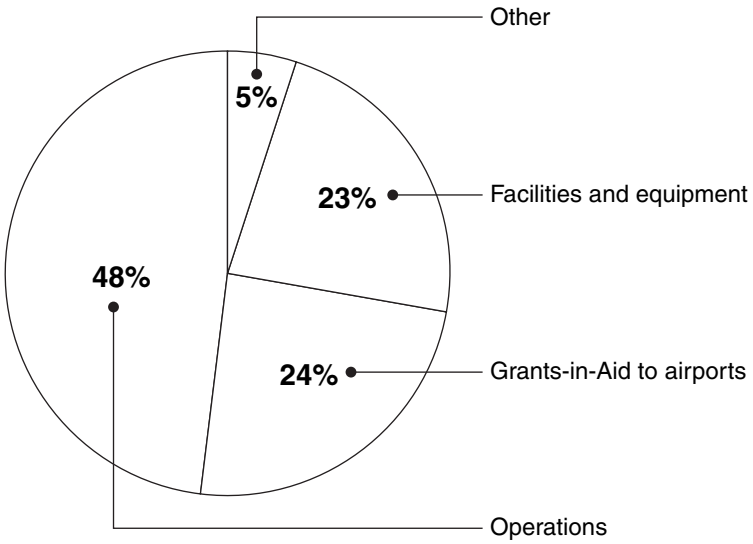
- Were there increases or decreases in budget authority, unobligated budgetary resources, total budgetary resources, obligations incurred, and/or disbursements?

- To what extent were current fiscal year budgetary resources used?

For example, FAA's statements of budgetary resources for fiscal years 2003 and 2004 show that budgetary authority, budgetary resources, obligations incurred, and disbursements all increased in fiscal year 2004, indicating a possible expansion in FAA's overall activities for the year. However, FAA's budgetary resources increased at a faster pace than outlays and obligations, which might indicate a change in FAA's budgetary needs that should be analyzed further.

FAA provides additional information about the use of its budgetary resources in the required supplementary information section of its PAR, which includes a schedule of budgetary resources by major fund type. As shown in figure 13, an analysis of this schedule shows that the operations fund uses the most budgetary resources followed by the grants-in-aid to airports fund and the facilities and equipment fund. In addition, readers may compare the fiscal year 2004 schedule of budgetary resources by major fund type to schedules for prior years. A comparison of the fiscal year 2003 and 2004 schedules included in the 2004 PAR shows that budgetary resources for facilities and equipment grew by 3.8 percent, compared to 8.1 percent growth for grants and 5.0 percent growth for operations. This type of analysis allows for consideration as to whether FAA's current use of budgetary resources is efficient and reflects congressional priorities.

Figure 13: Composition of Budgetary Resources, by Major Fund Type



Source: GAO analysis of FAA's fiscal year 2004 Performance and Accountability Report, schedule of budgetary resources by major fund type.

Statement of Financing

The statement of financing reconciles the resources used to finance an agency's operations for each fiscal year using budgetary accounting with the net cost of operations determined using the accrual basis of accounting. It explains the differences between an agency's obligations of budget authority as reported in budget documents and the statement of budgetary resources, and the net cost of its operations as shown in the statement of net cost, indicating the various categories of transactions that are considered when preparing one of those statements but not the other. The statement illustrates the link between budgetary accounting (primarily cash basis), which records obligations when goods and services are ordered, and financial (accrual basis) accounting, which records expenses when goods are consumed and services are received in fulfillment of the agency's objectives. FAA's fiscal year 2003 and 2004 statements of financing are shown in figure 14.

Figure 14: FAA's Consolidated Statements of Financing for Fiscal Years 2003 and 2004

U. S. Department of Transportation
FEDERAL AVIATION ADMINISTRATION
CONSOLIDATED STATEMENTS OF FINANCING
For the Years Ended September 30
(Dollars in Thousands)

Resources used to finance activities	2004	2003
Budgetary resources obligated		
Obligations incurred	$ 14,230,011	$ 14,166,146
Less: Spending authority from offsetting collections and receipts and recoveries of prior year obligations	866,372	975,738
Obligations net of offsetting collections	13,363,639	13,190,408
Other resources		
Donations and forfeitures of property and other	-	32,218
Transfers in/(out) without reimbursement	(72,508)	(680,078)
Imputed financing from costs absorbed by others	493,499	495,703
Net other resources used to finance activities	420,991	(152,157)
Total resources used to finance activities	13,784,630	13,038,251
Resources used to finance items not part of the net cost of operations		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet received	385,476	464,695
Resources that fund expenses recognized in prior periods (decreases in unfunded liabilities) (Note 17)	171,597	158,858
Resources that finance the acquisition of assets	1,985,245	1,534,555
Other resources or adjustments to net obligated resources that do not affect net cost of operations	18,863	(71,408)
Total resources used to finance items not part of net cost of operations	2,561,181	2,086,700
Total resources used to finance net cost of operations	**11,223,449**	**10,951,551**
Components of net cost of operations that will not require or generate resources in the current period		
Components requiring or generating resources in future periods		
Increases in annual leave liablilty and other unfunded liabilities (Note 17)	108,993	103,051
Increase in exchange revenue receivable from the public	(82,812)	-
Components not requiring or generating resources in future periods		
Depreciation and amortization	952,969	911,337
Revaluation of assets or liabilities	-	(18,320)
Cost of goods sold	47,589	34,987
Other	(56,194)	15,980
Total components of net cost of operations that will not require or generate resources	944,364	943,984
Total components of net cost of operations that will not require or generate resources in the current period	**970,545**	**1,047,035**
Net cost of operations	**$ 12,193,994**	**$ 11,998,586**

The accompanying notes are an integral part of these financial statements.

Source: FAA's fiscal year 2004 Performance and Accountability Report.

Committee staff could use information from the statement of financing to facilitate an understanding of FAA's financial position and direction, addressing questions such as:

- How much of FAA's net costs were due to the depreciation of its assets?
- How much did FAA spend on capitalized fixed assets?

For example, FAA's statements of financing for fiscal years 2003 and 2004 show an increase of 29 percent in resources used to acquire assets, transactions which affect budgetary resources but are not shown on the statement of net costs until they are used up or depreciated, in the case of property, plant, and equipment. As a result, additional oversight may be warranted for the increase in resources being used to finance the acquisition of assets.

GAO Contact and Staff Acknowledgements

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