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*Office of Inspector General*

***Audit Report***

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**MWAA'S WEAK POLICIES AND  
PROCEDURES HAVE LED TO  
QUESTIONABLE PROCUREMENT  
PRACTICES, MISMANAGEMENT, AND A  
LACK OF OVERALL ACCOUNTABILITY**

*Metropolitan Washington Airports Authority*

*Report Number: AV-2013-006  
Date Issued: November 1, 2012*





# Memorandum

U.S. Department of  
Transportation

Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: **ACTION:** MWAA's Weak Policies and  
Procedures Have Led to Questionable Procurement  
Practices, Mismanagement, and a Lack of Overall  
Accountability  
Report No. AV-2013-006

Date: November 1, 2012

From: Calvin L. Scovel III *C. L. Scovel III*  
Inspector General

To: Deputy Secretary

The Metropolitan Washington Airports Authority (MWAA) manages Ronald Reagan Washington National Airport and Washington Dulles International Airport under the terms of a lease with the U.S. Department of Transportation (DOT). More recently, MWAA assumed responsibility for the Dulles Corridor Metrorail Project, with a \$3.1 billion budget for Phase 1—\$900 million of which is Federal investment—and cost estimates of \$2.7 billion for Phase 2. As a public body with responsibility over two major federally owned airports and a multibillion-dollar public transit development effort, MWAA has been the subject of significant interest regarding the policies and practices of its management and Board of Directors.

In 2011, Congressmen Frank R. Wolf and Tom Latham requested that we review MWAA's management policies and processes. The Congressmen stressed that the accountability and transparency of MWAA and its Board of Directors are important to ensure the success of the Dulles Metrorail Project.

On May 15, 2012, we provided an interim letter<sup>1</sup> to the Congressmen and briefed key stakeholders, including Loudoun and Fairfax counties, regarding our preliminary observations on MWAA's management. In particular, we observed that MWAA's oversight and internal policies and procedures related to financial disclosures, travel, and transparency were insufficient to ensure fiduciary and ethical responsibility and accountability to Congress, stakeholders, and the public. We also observed that MWAA's contracting policies and practices were

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<sup>1</sup> OIG, "Interim Response Letter to Congressmen Wolf and Latham Regarding MWAA," May 15, 2012. OIG correspondence and reports are available on our Web site at [www.oig.dot.gov](http://www.oig.dot.gov).

insufficient to ensure compliance with the Act's provisions and MWAA's internal procurement procedures, resulting in contracts that are not subject to full and open competition and may not represent best value.<sup>2</sup> Since our interim letter, MWAA has begun to take steps to improve its transparency, governance, and procurement practices.

This report provides the results of our review, including updates on actions taken in response to concerns raised in our interim letter as well as further actions needed to better ensure accountability and transparency in MWAA's governance.<sup>3</sup> Specifically, this report details our assessment of (1) MWAA's contract award and procurement practices, including compliance with relevant laws; (2) its code of ethics for its employees; (3) its hiring and compensation practices; and (4) the accountability and transparency of its Board of Director activities.

We conducted our audit in accordance with generally accepted Government auditing standards. To conduct our work, we reviewed relevant acts, agreements, policies, and manuals; examined Federal, State, and local best contracting practices; and interviewed MWAA officials. In addition, we reviewed a total of 125 contracts to evaluate MWAA's contract practices. Exhibit A provides the full details of our scope and methodology, and exhibit B lists organizations visited or contacted.

## **RESULTS IN BRIEF**

As a result of our interim letter, subsequent audit work, and increased public scrutiny, MWAA has taken action to improve its accountability, transparency, and governance. For example, MWAA has approved a new travel policy and new codes of ethics for employees and the Board, revised the Board's bylaws and Freedom of Information Policy, and terminated contracts with former Board members. While these are the types of actions needed to ensure fiduciary and ethical responsibility, further actions remain to fully address the management weaknesses we identified during our audit.

First, MWAA's contracting policies and practices are insufficient to ensure compliance with the Airports Act and the lease agreement between DOT and MWAA. The Act and the agreement require the Authority to competitively award contracts over \$200,000 to the maximum extent practicable. However, for the period we reviewed,<sup>4</sup> MWAA used categorical exceptions to limit competition for almost two-thirds of MWAA's contracts that exceeded \$200,000. While MWAA's

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<sup>2</sup> In addition, at Congressman Wolf's request, our interim letter included a preliminary review of MWAA's assumptions for Dulles Toll Road revenue, which found that the assumptions appeared reasonable.

<sup>3</sup> As first referenced in our interim letter, investigations into allegations of mismanagement and misconduct are still ongoing and are not discussed in this report.

<sup>4</sup> January 2009 to June 2011.

Contracting Manual allows the use of categorical exceptions,<sup>5</sup> MWAA frequently did not meet its Contracting Manual requirements for adequate justifications when using these exceptions. Adding new out-of-scope work to existing contracts and issuing task orders without required justifications and approvals have also limited competition. These weaknesses are exacerbated by ineffective contract management and oversight and a lack of adequate procurement integrity policies to ensure impartiality when awarding and administering contracts. Notably, MWAA has delegated procurement authority to employees outside its Procurement and Contracts Department but has not kept track of those with this authority and has not held employees to their delegated authority limits. MWAA Board members and senior officials set the tone for a lax internal control culture by engaging in questionable contracting practices—including initiating work before contract award, awarding sole source contracts without proper justification, and providing non-public information that gives potential contractors an unfair advantage in competition.

Second, the code of ethics and related MWAA policies and procedures in place at the time of our audit lacked the rigor needed to ensure credibility and the integrity of management and employee decisions. While MWAA recently approved a new employee code of ethics that will go into effect on January 1, 2013, the Authority's existing ethics-related procedures have been insufficient to detect violations of anti-nepotism and gift provisions and to identify potential conflicts of interest. For example, the Vice President of Human Resources indirectly supervised relatives, despite the code's explicit provision prohibiting such relationships. In addition, employees regularly accepted inappropriate gifts from an MWAA contractor—including Super Bowl tickets, travel, and accommodations worth almost \$5,000. cursory reviews of financial disclosure statements have further limited MWAA's ability to prevent and detect conflicts of interest. For example, at the time of our review, the former President/Chief Executive Officer's (CEO) 2009 financial interest form was missing a page with key details about the CEO's financial holdings. Weak policies and procedures and a lack of recurrent ethics training have provided little assurance that employees are fully aware of MWAA's ethics requirements, increasing the risk of unintentional ethics violations.

Third, MWAA's hiring and compensation practices lack oversight and accountability. MWAA's standard hiring process for filling vacancies or creating new positions has not been formally documented as an official policy, which has allowed senior officials to place candidates into new or existing positions without

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<sup>5</sup> MWAA's Board of Directors authorized six categorical exceptions to full and open competition in section 1.2 of MWAA's second edition Contracting Manual: (1) limited competition for urgent needs; legal, financial, audit, or legislative representation professional services; and local business set asides; (2) airport security controlled distribution RFP; (3) utility supplies and services; (4) Government purchasing agreements; (5) airline tenant procured projects; and (6) proprietary equipment and software. Use of these exceptions requires no further Board approval.

job descriptions, competition, or completed background checks. In some cases, senior officials abused MWAA's student program to hire employees who were not students, using personnel documentation that falsely showed student status. MWAA's lack of oversight also resulted in employees with known criminal convictions working at the Authority in sensitive and management positions for more than a year. In addition, MWAA managers awarded excessive salaries, unjustified hiring bonuses, questionable cash awards, and ineligible benefits. For example, MWAA created a new position for a former Board member that included an annual salary of \$180,000 for unspecified job duties, before ultimately terminating the position after public outcry. In another example, an MWAA Human Resources manager deliberately abused MWAA's benefits programs to continue paying an individual who no longer worked for the Authority.<sup>6</sup>

Finally, MWAA's policies and processes have not ensured accountability and transparency for activities conducted by its Board of Directors. Unlike its policies for MWAA employees, MWAA's policies for the Board did not at the time of our review explicitly prohibit nepotism or other relationships that may cause undue influence at the Authority.<sup>7</sup> Without such controls, MWAA has not been able to hold its Board accountable to the same standards it holds its employees. Specifically, MWAA could not ensure that relatives and friends of Board members did not receive preferential treatment in hiring or contracting, as we found in one case. Oversight weaknesses and a lack of training have further hindered MWAA's ability to prevent conflicts of interest for its Board members. For example, contrary to MWAA's ethics policies established specifically for the Board, a Board member participated in the selection of a contractor who employed the Board member's spouse. While MWAA has taken steps to improve Board accountability and transparency—including a new code of ethics for the Board and revised travel policies—significant attention will be required to ensure that new travel, ethics, and disclosure policies are implemented and enforced.

We are making a series of recommendations to the Office of the Secretary to facilitate the improvement of MWAA's policies, processes, internal controls, transparency, and accountability.

## **BACKGROUND**

MWAA was created through an interstate compact between the Commonwealth of Virginia and the District of Columbia as well as the Metropolitan Washington Airports Act of 1986.<sup>8</sup> In March 1987, the Secretary of Transportation and MWAA entered into a 50-year lease authorizing MWAA to occupy, operate,

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<sup>6</sup> This manager was later disciplined with a 3-day suspension for these actions.

<sup>7</sup> MWAA's recently revised Board code of ethics will take effect December 2012 and includes a provision preventing these relationships.

<sup>8</sup> Pub. L. 99-591.

control, and use all land and related areas of the airports, with full power over operations and development of the airports. In April 2003, the term was extended to 80 years.

As designed by the Airports Act and lease, MWAA was governed by a 13-member Board of Directors composed of 5 members from Virginia, 3 from the District of Columbia, 2 from Maryland, and 3 Presidential appointees. In October 2012, Board membership increased to 17 members.<sup>9</sup> Board members serve 6-year terms without compensation. The Board is responsible for establishing policy and providing direction to MWAA's President/CEO.

The Airports Act and the lease established MWAA as an independent public body. As such, MWAA is not subject to Federal or State laws that govern procurement, ethics, civil service, and transparency. However, MWAA must abide by the provisions and terms of the Airports Act, the lease, and the interstate compact, as well as its own internal policies and processes.

The Airports Act and lease require MWAA to develop a code of ethics to ensure the integrity of decisions made by MWAA's Board of Directors and its approximately 1,400 employees. MWAA has two separate codes of ethics policies—one for its Board of Directors and another for its employees. Each code describes situations causing both an actual or apparent conflict of interest, which could adversely affect the confidence of the public in the integrity and credibility of MWAA. Each code defines standards of ethical conduct, such as acceptance of gifts and annual financial interest disclosure requirements.

While MWAA is not required to follow Federal statutes or regulations for procuring goods and services, the Airports Act and the lease agreement with DOT require the Authority to obtain full and open competition for contracts in excess of \$200,000, to the maximum extent practicable. The Act and the lease specify this be accomplished through the use of published competitive procedures. MWAA's Board of Directors may grant exception to this requirement by a vote of the majority of the Board.

In 2011, amid multiple allegations of misconduct and mismanagement on the part of MWAA, Congressmen Wolf and Latham asked OIG to initiate a review of MWAA. In May 2012, we reported our observations to date in an interim letter. We identified weaknesses in MWAA's policies and procedures related to contracting, financial disclosure, travel, ethics, and transparency that limited

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<sup>9</sup> In October 2012, the District of Columbia passed legislation to amend the interstate compact to complete the implementation of changes to the Board's composition mandated by the Consolidated and Further Continuing Appropriations Act of 2012 (Pub. L. 112-55, Div. C, Title I, § 191). Congress passed this Act in November 2011 to expand the MWAA Board from 13 to 17 members, including 7 appointed by the Governor of Virginia, 4 by the Mayor of the District of Columbia, 3 by the Governor of Maryland, and 3 by the President of the United States.

MWAA's accountability to Congress, stakeholders, and the public—as well as its compliance with the Act. Specifically, we reported the following:

- MWAA's policies are not sufficient to promote ethical conduct or prevent potential conflicts of interest for its Board members.
- MWAA's policies and oversight do not ensure that Board travel expenses are reasonable.
- Visibility into key Board activities remains limited despite actions taken to enhance Board transparency.
- MWAA did not maximize competition for contracts or always request Board approval when required.
- MWAA's contracting policies and procedures do not reflect effective contract management.
- MWAA's policies lack procedural safeguards for ensuring they are followed, and there are limited avenues for judicial review and other mechanisms (such as penalties for noncompliance) to address concerns regarding MWAA's ethics, transparency, contracting, and other practices.

Notably, we reported that MWAA's government-appointed Board members are not bound to the same State ethics and financial disclosure laws as the elected officials who appointed them. This is in contrast to other major transportation Boards—for example, the Board of Directors of the Dallas-Fort Worth International Airport must follow Texas State law and guidelines related to ethics, transparency, and procurement; willful failure to comply can be punishable by imprisonment and fines.

In response to our May 15 interim letter describing questionable Board activities, the Secretary, the Governors of Maryland and Virginia, and the Mayor of the District of Columbia issued a letter in August 2012 to MWAA's Chairman and Board members mandating immediate reform of MWAA's business practices. Reforms include, among others, terminating all existing contracts with former Board members and former employees that were not competitively bid, strengthening MWAA's ethics code to guard against conflicts of interest and provide annual ethics training to Board members and employees, and tightening Board travel procedures to eliminate wasteful spending. In addition, the Secretary appointed an Accountability Officer to monitor and report on any reform efforts.

## **MWAA HAS BEGUN TO ADDRESS OIG OBSERVATIONS ON WEAKNESSES IN GOVERNANCE**

Since our interim letter and the beginning of our audit, MWAA has taken a number of steps aimed at improving its transparency, governance, and

procurement practices. For example, MWAA took action to remove a former Board member who had been hired into a senior position a day after retiring from the Board.

According to MWAA officials, the Authority has taken action to

- approve a new travel policy,
- revise the Board's bylaws and Freedom of Information Policy to increase transparency,
- suspend the use of categorical exceptions for professional services,
- terminate contracts with former Board members or let those contracts expire,
- establish guidelines requiring contracting officers to select contractors under temporary staffing multiple-award contracts, and
- enhance screening for nepotism.

Furthermore, as of September 19, 2012, MWAA approved new codes of ethics for its Board of Directors and its employees. The revisions will go into effect December 1, 2012, (for the Board) and January 1, 2013 (for MWAA employees).

In addition, in its response to this report, the DOT Office of the Secretary (OST) referenced additional planned actions to improve MWAA's accountability, including pursuing an amendment to the lease between MWAA and DOT to ensure greater oversight. See the appendix for OST's official response.

These actions indicate that longstanding weaknesses exist and that significant changes are needed to promote ethical conduct among MWAA employees and Board members and ensure the integrity of its contracting policies and practices. However, MWAA's recent actions have not been independently assessed and remain to be implemented. In addition, further actions are needed to fully address the management weaknesses we identified during our audit, particularly as they relate to the Authority's oversight of its activities.

### **MWAA'S CONTRACTING POLICIES AND PRACTICES ARE INSUFFICIENT TO ENSURE COMPLIANCE WITH THE AIRPORTS ACT OR LEASE AGREEMENT AND DO NOT FOLLOW CONTRACT MANAGEMENT BEST PRACTICES**

The Airports Act and the lease agreement between DOT and MWAA require the Authority to award contracts over \$200,000 competitively to the maximum extent practicable and to develop and publish competitive procedures. However, MWAA's contracting policies and practices do not encourage competition. Instead, MWAA has relied on categorical exceptions to award contracts with

limited competition. These weaknesses are exacerbated by ineffective contract management and oversight and a lack of adequate procurement integrity policies to ensure impartiality when awarding and administering contracts. Finally, MWAA lacks a formal acquisition planning process and has not effectively managed the size and skill of its acquisition workforce.

Throughout our review, we identified some MWAA Board members and senior officials, such as Vice Presidents, who engaged in questionable contracting practices, compromising MWAA's contracting policies and internal controls for procurement. The integrity of an organization's top management plays a key role in determining an organization's internal control culture. While official policies establish rules, the organizational culture must follow suit to ensure the rules are followed, not compromised or ignored.

### **MWAA's Contracting Policies and Practices Do Not Maximize Competition**

While the Airports Act and MWAA's lease agreement require full and open competition to the maximum extent practicable, the Act also permits the Board to grant exceptions to competition requirements. MWAA's Contracting Manual, which was approved by the Board, allows staff to use categorical exceptions to limit competition. For the period we reviewed,<sup>10</sup> MWAA used this authority to award almost two-thirds of its contracts that exceeded \$200,000 with less than full and open competition for items such as legal, financial services, or urgently needed goods or services. Finally, MWAA awarded out-of-scope contract modifications and task orders without required Board approval, placed large-value task orders without adequate justification, and distributed work on multiple-award<sup>11</sup> contracts disproportionately. These practices limit competition because they allow MWAA to procure significant new work on existing contracts that could be awarded competitively.

#### *MWAA Awarded Two-Thirds of Its Contracts With Less Than Full and Open Competition*

Between January 2009 and June 2011, MWAA awarded 190 contracts that exceeded \$200,000—only 68 (36 percent) of which were awarded with full and open competition. Of these 190 contracts, 5 were sole source awards with a combined value of \$6 million. However, MWAA awarded these five contracts without Board approval—which the Airports Act, lease agreement, and MWAA's Contracting Manual require. MWAA awarded the remaining 117, or 62 percent of the 190 contracts over \$200,000, using categorical exceptions (see figure 1); these contracts amounted to \$225 million, or 40 percent of the total value of the

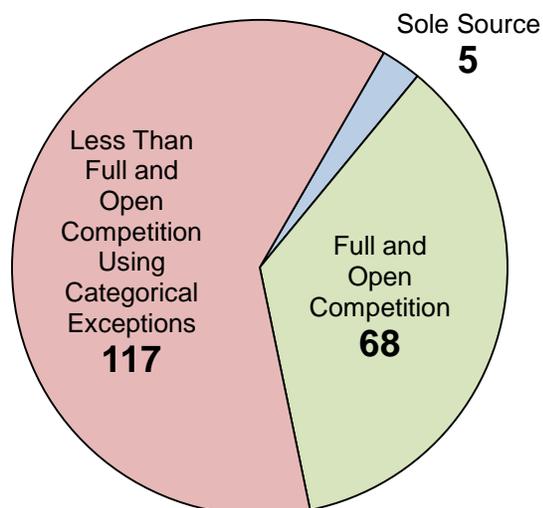
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<sup>10</sup> January 2009 to June 2011.

<sup>11</sup> A multiple-award contract is a task order contract or any other indefinite-delivery, indefinite-quantity contract that an agency enters into with two or more sources under the same solicitation.

Authority's contracts over \$200,000.<sup>12</sup> MWAA's policies allow limited competition through the use of six categorical exceptions,<sup>13</sup> but its Contracting Manual states that these exceptions "comprise only a small portion of the Airport Authority's contracts and their dollar value."

**Figure 1. MWAA Contracts Over \$200,000 Awarded Between January 2009 and June 2011**



Source: OIG analysis of MWAA's contracting data.

MWAA used the professional services categorical exception—including legal, financial, audit, and legislative services—to award 14 limited competition contracts (valued at \$20 million), or 7 percent of the 190 contracts over \$200,000, that MWAA awarded between January 2009 and June 2011.<sup>14</sup> Unlike MWAA's Contracting Manual, the Federal Acquisition Regulation (FAR) restricts the use of these types of exceptions. In response to our concerns, MWAA issued a memorandum to suspend the use of the categorical exception for professional services, pending revisions to the Contracting Manual.<sup>15</sup>

MWAA also used categorical exceptions without providing adequate justification as to why it was in the Authority's best interest not to obtain full and open competition. Consistent with Federal best practices, MWAA's contracting policies

<sup>12</sup> Awarded between January 2009 and June 2011.

<sup>13</sup> The six categorical exceptions established in section 1.2 of MWAA's second edition Contracting Manual include (1) limited competition for urgent needs; legal, financial, audit, or legislative representation professional services; and local business set asides; (2) airport security controlled distribution RFP; (3) utility supplies and services; (4) Government purchasing agreements; (5) airline tenant procured projects; and (6) proprietary equipment and software. Use of these exceptions requires no further Board approval.

<sup>14</sup> MWAA awarded a total of 709 contracts with a total value of \$589 million. MWAA awarded 54 limited competition contracts using the professional services exception out of the 709—including 40 contracts that were below \$200,000.

<sup>15</sup> As of August 10, 2012.

require such justifications when awarding contracts with less than full and open competition. However, we found inadequate justifications in 27, or 56 percent of the 48 contracts we reviewed (see table 1).<sup>16</sup>

**Table 1. Inadequate Justifications for Categorical Exceptions to Full and Open Competition**

<b>Reason justifications were inadequate per MWAA's Contracting Manual</b>	<b>No. of contracts<sup>a</sup></b>
Approved after the contractor had started work	17
Approved even though the justification was incomplete	15
No justification documented	1
Approved for the limited competition exception, but lacked any evidence of competition	8
Approved for the urgent needs exception, but did not adequately justify the reason for the urgency	3

<sup>a</sup> The contracts add up to more than 27 because the justifications for some contracts were inadequate for more than one reason.

Source: OIG analysis of MWAA contracts awarded with categorical exceptions.

In addition, MWAA awarded five sole source contracts over \$200,000 without Board approval, violating the Airports Act, lease agreement, and MWAA's Contracting Manual. MWAA asserts that these five contracts did not require Board approval because they were awarded as categorical exceptions to competition. However, MWAA's contract database and file documents show that the contracts were actually awarded sole source. For example, MWAA officials explained that three of the five contracts were awarded under the "urgent" categorical exception, but the files lacked evidence of urgency. Further, MWAA awarded the three contracts—each worth \$350,000—to the same contractor over 3 consecutive years, suggesting that the awards were for a recurring need rather than an urgent one.

MWAA's Contracting Manual also requires justification for all sole source contracts valued over \$2,500. We reviewed all 15 contracts for which MWAA's Secretary of the Board served as the Contracting Officer's Technical Representative (COTR) and identified 10 sole source contracts with award values under \$200,000 that lacked adequate justification. In addition, these contracts lacked evidence of actions taken to encourage competition, such as advertising or market research, which is not consistent with MWAA's Contracting Manual requirements. For example, the Board requested that a \$190,000 sole source contract for independent engineering reviews be awarded to an engineering firm

<sup>16</sup> These 48 include all contracts awarded under a categorical exception from sample 1 and sample 3, see exhibit A. From sample 1, 19 of the 32 were awarded as categorical exceptions, but the justifications for 9 were inadequate. From sample 3, 29 of the 69 were awarded as categorical exceptions, but the justifications for 18 were inadequate.

that employed a project manager who had worked on a prior MWAA contract. In response to the request, the project manager informed the Secretary of the Board, via personal email, that he was leaving the firm under the prior contract. The Board then awarded the contract to the project manager's new firm. The justification for this award did not specify whether the project manager had unique qualifications and did not describe any efforts made to seek competition for the contract. Further, MWAA classified 2 of the 10 sole source contracts as recurring needs, but the justifications did not specify the actions it would take to obtain competition in the future, as MWAA's Contracting Manual requires.

### *MWAA Does Not Follow Federal Best Practices To Publicize and Solicit Contract Opportunities*

To encourage competition, the FAR generally requires agencies to publicize contract actions, including intent to award sole source contracts prior to awarding them. In contrast, MWAA's Contracting Manual does not require public notification of intent to award sole source contracts, and none of the five sole source contracts over \$200,000 had been publicized prior to award. This practice does not provide other contractors a fair opportunity to offer the supply or service at a potentially lower cost.

According to MWAA's Contracting Manual, solicitations for contracts over \$25,000 are generally posted on its Web site to foster competition.<sup>17</sup> Further, the Manual requires the involvement of the Procurement and Contracts Department to help prepare a solicitation. However, we identified cases in which MWAA's Board of Directors did not issue formal solicitations for contracts or involve the Procurement and Contracts Department until the contracts were ready to be awarded. For example, MWAA's Board of Directors awarded a \$150,000 contract to help prepare a solicitation for a study to assess MWAA's organizational structure. Forty days later, MWAA decided not to compete the contract. Instead, MWAA—without the Procurement and Contracts Department's involvement—awarded an \$885,000 organizational study sole source contract to the contractor hired to develop the solicitation. Contracting without a solicitation not only limits competition but can lead to potential misunderstandings about the requirements or scope of the contract. In addition, under Federal procurement rules, if a contractor assists in preparing a work statement to be used in competitively acquiring a service, that contractor generally may not supply that service, except in limited situations.<sup>18</sup> These rules are designed to ensure that the Government receives unbiased advice and avoids allegations of favoritism.

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<sup>17</sup> MWAA Contracting Manual, second edition, Section 1.5. MWAA does not require solicitations for sole source awards to be posted on its Web site.

<sup>18</sup> FAR 9.505-2.

*Out-of-Scope Contract Actions, Unjustified Task Orders, and Unbalanced Work Distribution on Multiple-Award Contracts Further Limited Competition*

MWAA issued out-of-scope contract actions over \$200,000—including contract modifications and task orders<sup>19</sup>—without required Board approval.<sup>20</sup> From our statistical sample of 24 out of 343 active MWAA contracts,<sup>21</sup> we identified 8 for which MWAA issued a total of 20 out-of-scope contract actions with a combined value of \$57 million. Based on these findings, we project that MWAA has issued \$107.6 million in out-of-scope contract actions on contracts active as of June 2011.<sup>22</sup>

A 2002 audit by the Government Accountability Office (GAO) also found that MWAA added out-of-scope contract modifications, noting that MWAA's published contracting guidance at the time did not require contract modifications to remain within scope.<sup>23</sup> In early 2003, MWAA published the first edition of its Contracting Manual, which contained the requirement that out-of-scope work be awarded under a new contract—unless justified as sole source, which requires Board approval when the value of the added work exceeds \$200,000.

However, MWAA's acquisition staff were not aware of a single instance in which an out-of-scope contract action came before the Board for approval, which may be the result of MWAA's definition of within-scope work. According to MWAA's Contracting Manual, within-scope work includes requirements that the contract did not initially solicit but are now considered integral. This definition allows work to be added to contracts that far exceeds the contract award amount and length and is unrelated to the original contract's purpose.

For example, the expansion and renovation of the Dulles Airport main terminal, an \$8 million contract awarded in 1989, has grown by 1,700 percent to a total value of \$147 million. From 2003 to June 2011, MWAA issued 10 contract modifications—at a total cost of \$36 million—which added design and construction management services for integrating the Transportation Security Administration's (TSA) luggage screening equipment and the airport's baggage handling systems. According to MWAA, these modifications were within the original scope of the contract because the expansion and renovation of the main terminal at Dulles Airport has been a long-term, complex, and evolving project. However, TSA's luggage screening requirement was created more than a decade

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<sup>19</sup> A contract modification is any written change to the terms of a contract. A task order is an order for services placed against an established contract.

<sup>20</sup> MWAA Contracting Manual, second edition, Section 5.4.2, requires that new work in excess of \$200,000 obtain Board approval.

<sup>21</sup> Active as of June 30, 2011. See sample 2 in exhibit A.

<sup>22</sup> Our estimate has an actual lower limit of \$57.3 million and a 90-percent upper confidence limit of \$170 million.

<sup>23</sup> GAO Report Number GAO-02-36, "Metropolitan Washington Airports Authority: Contracting Practices Do Not Always Comply with Lease Requirements," March 1, 2002.

after MWAA awarded this contract. Therefore, TSA's new luggage screening requirement could not be reasonably expected to be part of the contract.

Unlike the approach taken by MWAA, courts interpret within-scope work to be what an offeror would reasonably expect to occur during performance of the contract when the offeror submitted its proposal.<sup>24</sup> Adding work that had not been originally contemplated or solicited prevents qualified contractors from competing for the new work. By issuing out-of-scope contract actions that could have been competitively awarded, MWAA has missed opportunities to maximize competition and obtain better value.

MWAA may have also missed opportunities to maximize competition in its administration of task order contracts. MWAA's Contracting Manual requires proper justification to explain why work valued at over \$200,000 should be performed as a task order on an existing contract, rather than be awarded as a separate new contract.<sup>25</sup> In our sample,<sup>26</sup> MWAA placed 25 of 27 task orders without adequate justification.<sup>27</sup> The 25 task orders have a combined value of \$13.6 million. According to an MWAA acquisition official, the justifications were provided verbally in some cases; however, verbal justifications cannot be verified and are therefore inadequate.

The manner in which MWAA has used multiple-award contracts has further limited competition. In the Federal arena, multiple-award contracts are intended to maintain a competitive environment among awardees and to improve contractor performance.<sup>28</sup> To this end, Federal contracting officers must provide contractors on multiple-award contracts with fair opportunities to compete for work and document the rationale for their selection of contractors under each task order.<sup>29</sup> While MWAA's Contracting Manual allows use of multiple-award contracts, it does not provide instructions for administering them. We found that MWAA employees outside the Procurement and Contracts Department—such as COTRs—have ordered work under multiple-award contracts without involving the contracting officers and have not documented contractor selection rationale.

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<sup>24</sup> AT&T Communications v. Wiltel, Inc., 1 F.3d 1201, 1207 (Fed. Cir., 1993); DynCorp International LLC, B-402349, March 15, 2010.

<sup>25</sup> MWAA has required task order justifications since January 2006. MWAA incorporated this initially unpublished guidance into its Contracting Manual, which went into effect in 2009.

<sup>26</sup> Our sample consisted of 24 MWAA contracts active as of June 30, 2011. Three of these contracts were task order contracts, which are contracts for services that do not procure or specify a firm quantity of services and provide for the issuance of task orders during the contract period.

<sup>27</sup> We found justifications for 3 of 27 task orders in our sample, but we did not consider 1 justification adequate because it was dated after the award of the task order.

<sup>28</sup> Office of Management and Budget, "Best Practices for Multiple Award Task and Delivery Order Contracting: Interim Edition," February 19, 1999.

<sup>29</sup> FAR 16.505(b)(1) and 16.505(b)(5).

Over the past 8 years, MWAA awarded more than 80 percent of work under three groups of multiple-award contracts to a single contractor (“Contractor A” in table 2). However, the contractor’s rates were often higher than the other multiple-award contractors’ rates. For example, the contractor’s rates in a 2012 contract were between 28 percent and 234 percent higher. While MWAA may have had non-price related reasons for selecting Contractor A, this unbalanced distribution of work to a single contractor with significantly higher rates appears contrary to the purpose of multiple-award contracts and could further compromise MWAA’s competitive environment.

**Table 2. Disproportionate Distribution of Work on a Series of Multiple-Award MWAA Contracts**

Group of multiple-award contracts	Percent of work awarded		No. of other contractors
	Contractor A	Other contractors	
Multiple-award Group 1 (2004-2008)	75	25	3
Multiple-award Group 2 (2008-2012)	86	14	3
Multiple-award Group 3 (Jan. 2012- )	90	10	2

Source: OIG analysis of MWAA data.

In addition, MWAA allowed Contractor A to add job categories to a contract but did not offer the other multiple-award contractors the same opportunity. Thus, when MWAA ordered work related to those additional job categories, they were effectively sole source awards because only one contractor was able to accept the work.

In another set of multiple-award contracts, one of five firms received over 38 percent of work. A former MWAA Board member was an owner of the firm that received the most work, which could create the appearance of favoritism.

In July 2012, MWAA’s Procurement and Contracts Department established guidelines requiring contracting officers to select contractors under multiple-award contracts for temporary staff. However, this policy only applies to temporary staffing contracts rather than to all multiple-award contracts.

### **MWAA’s Insufficient Policies and Lack of Controls Undermine Its Contract Management**

MWAA does not effectively manage its contracts. Specifically, MWAA does not track employees who have been delegated contracting authority and lacks controls to ensure employees follow its contracting policies. MWAA also lacks a formal acquisition planning process and has not effectively managed the size and skill of

its acquisition workforce. Moreover, MWAA lacks contracting policies and practices to ensure impartiality when awarding and administering contracts.

### *MWAA Does Not Track Employees With Delegated Procurement Authority or Ensure They Stay Within Delegated Award Limits*

MWAA's procurement authority has been delegated to seven MWAA employees<sup>30</sup> outside its Procurement and Contracts Department who may award contracts up to a certain dollar amount. Six of the seven are allowed to further delegate this authority to other employees without requesting permission or approval. However, MWAA has not kept track of who has been delegated this authority and could not give us an accurate count of all of its employees authorized to award MWAA contracts.

We determined that 24 employees<sup>31</sup> outside of MWAA's Procurement and Contracts Department have been delegated procurement authority and that 8 of these employees awarded a total of 22 contracts that exceeded the value of their authority limit<sup>32</sup> by as much as \$50,000—for a total of almost \$300,000. For example, MWAA's General Counsel awarded a \$100,000 legal services contract, and an employee at Ronald Reagan Washington National Airport awarded an \$87,000 contract for carpeting. However, both employees had authority limits of only \$50,000. Employees who award contracts above their delegated authorities not only violate the terms of their delegation but also may make improper purchases or lack the appropriate experience and knowledge to execute larger and potentially more complex contracts.

### *MWAA Lacks Controls To Ensure Employees Follow Key Contracting Policies and Procedures*

MWAA also lacks controls to ensure that its employees follow MWAA's contracting policies and practices regarding the start of contract work, Board approval for high-value contracts, and for technical evaluation committees responsible for selecting contractors.

MWAA allowed work to begin prior to contract award dates—that is, before the contracting officer completed and signed the contract documents. In some cases,

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<sup>30</sup> MWAA directive GC-002 includes delegated contracting authority to: (1) President and CEO, (2) Executive Vice President and Chief Operating Officer (COO), (3) Vice President and General Counsel, (4) Vice President of Business Administration, (5) Vice President and Airports Manager Ronald Reagan Washington National Airport, (6) Vice President and Airports Manager Washington Dulles International Airport, and (7) Concessions and Property Development Manager. MWAA's Board Resolution 01-20 grants the President and CEO the authority to enter into, administer, modify, and terminate contracts. This authority is re-delegated in MWAA directive GC-002.

<sup>31</sup> This number reflects MWAA employees who have been granted delegation in accordance with MWAA directive GC-002. The 24 employees outside of the Procurement and Contracts Department with procurement authority consist of the CEO, COO, General Counsel, Vice President of Business Administration, Concession & Property Development Manager, as well as 8 employees from Ronald Reagan Washington National and 11 from Dulles International.

<sup>32</sup> Of these eight employees, seven had \$50,000 authority limits, and one had a \$2,500 limit.

work was started even before the contracting officer was aware MWAA management wanted to award a contract. However, MWAA's contracting policy requires the contracting officer to ensure that all significant procurement actions are taken prior to award. Ultimately, initiating work before contract terms are agreed upon in writing—including its requirements, price, and other terms—significantly increases MWAA's cost and performance risks.

Of the 709 contracts MWAA awarded between January 2009 and June 2011, contractors started work on 27 percent before their official award dates. For example, MWAA paid one contractor \$572 per hour to attend a 5-hour Board meeting on January 6, 2010—during which the Board of Directors approved the selection of the contractor. The contract was not officially awarded until July 13, 2010—188 days after the work began. Table 3 shows the MWAA contracts with work started before official contract award dates.

**Table 3. MWAA Contracts With Work Started Before Official Contract Award Dates**

No. of days before contract award	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	Over 180 days	Total contracts
No. of contracts	59	62	29	17	5	5	13	190

Source: OIG analysis of MWAA contract documentation.

Some of these contracts were initiated by top management. For example, 12 of 15 contracts we reviewed—for which the Secretary of the Board was the COTR—were initiated prior to official contract award dates.<sup>33</sup> The 12 contracts—which had a combined value of \$1 million—were for work requirements requested by MWAA Board members. For example, an MWAA Board member requested that a consultant firm proceed with work on a sole source contract 58 days before MWAA's Procurement and Contracts Manager gave his required approval for the award.<sup>34</sup>

A 2006 MWAA internal audit also reported that contractors began work on some contracts prior to award. In response, MWAA stated that it would revise its Contracting Manual to only permit this practice during extraordinary circumstances, but MWAA has not yet made these planned revisions to the manual.

<sup>33</sup> Work for these 12 contracts began an average of 33 days before award, ranging from as few as 4 days to as many as 66 days before award.

<sup>34</sup> FAR 16.603 provides for letter contracts, a written preliminary contractual instrument, which allows work to start prior to contract award. Letter contracts shall not be entered into without competition, when competition is required.

MWAA also lacks controls to ensure that its employees follow its contracting policies and practices regarding high-value contract approval and contractor selection. As stated in MWAA's Contracting Manual, Board approval is required for contract awards exceeding \$3 million, except competitively awarded construction contracts.<sup>35</sup> However, as we reported in our interim letter, MWAA employees did not always obtain Board approval for high-value contracts. In our statistical sample of 32 out of 165 contracts awarded between January 2009 and June 2011, we identified 13 that were high-value—4 of which lacked Board approval (totaling \$34 million). MWAA asserts that Board approval was not required for these contracts, but our review found that MWAA's reasons for not seeking Board approval were unsupported. For example, MWAA stated that one high-value contract was a construction contract, but the contract was actually for advisory services to support a construction project, which does not meet MWAA's definition of construction.<sup>36</sup> Based on our findings, we project that MWAA spent \$83.6 million<sup>37</sup> on contracts without Board approval—14 percent of an estimated total of MWAA's contracts awarded between January 2009 and June 2011. This practice keeps the Board from being fully informed of critical business decisions. In 2002, GAO similarly reported that MWAA had overlooked requirements to secure required Board approval. Our findings indicate that MWAA has not fully addressed GAO's concerns.

In several instances, MWAA also failed to comply with its policy for technical evaluation committees, which evaluate and help select contractors competing for MWAA contracts. For example, MWAA's Contracting Manual states that a supervisor and a subordinate should not serve together as voting members when possible to ensure independent evaluations. However, the Vice President for the Office of Audit, who served as the chair of a technical evaluation committee, selected two subordinates as voting members, and MWAA's Procurement and Contracts Manager approved the committee.

### *MWAA Lacks a Formal Acquisition Planning Process and Has Not Effectively Managed the Size and Skill of Its Acquisition Workforce*

MWAA does not have a formal acquisition planning process that requires forecasts of upcoming acquisition needs. Early identification of acquisition needs allows an organization to maximize competition, consolidate related acquisitions to increase buying power, and reduce administrative burdens.<sup>38</sup> Federal law requires agencies to prepare annual forecasts of anticipated acquisitions for the

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<sup>35</sup> MWAA Contracting Manual, second edition, Section 1.2.

<sup>36</sup> MWAA defines "construction" as "construction, demolition, alteration, or repair of buildings, structures, or other real property."

<sup>37</sup> Our estimate of \$83.6 million has an actual lower confidence limit of \$33.7 million and a 90-percent upper confidence limit of \$138.1 million.

<sup>38</sup> GAO Report Number GAO-05-218G, "A Framework for Assessing the Acquisition Function at Federal Agencies," September 2005.

next fiscal year and to periodically update those forecasts as necessary. For example, DOT adheres to this mandate by requiring each Operating Administration to submit annual forecasts of expected acquisitions over \$100,000 before the start of the next fiscal year. DOT also requires quarterly updates to these forecasts.<sup>39</sup> While MWAA's Procurement and Contracts Department requests annual acquisition plans from MWAA managers, these plans are not required. According to MWAA, fewer than 40 percent of MWAA managers respond to these annual requests, and MWAA's Procurement and Contracts Manager considers the plans that are submitted to be "fairly unreliable."

According to MWAA procurement staff, MWAA offices also routinely ignore notices from contracting officers of upcoming contract expiration dates. Because of poor planning, MWAA has extended existing contracts rather than competitively awarding new contracts—ultimately missing opportunities to obtain competition and better prices. For example, because of delays in soliciting a new contract, MWAA extended a custodial services contract for 7 months in 2011.

MWAA's workforce planning has also been insufficient to determine its workforce needs. According to MWAA, the Procurement and Contracts Department has only grown by two employees in the past 20 years, and its one remaining support contractor's term will expire at the end of 2013 with no plans for replacement. However, between 2007 and 2011, new contracts awarded by the Procurement and Contracts Department increased an average of 47 contracts annually due to the Dulles Toll Road and Dulles Metrorail project. While the Procurement and Contracts Department recently requested an additional five staff to manage this increase, MWAA has not conducted a comprehensive workforce assessment to determine the skills needed to award and administer MWAA's existing and future contracts.

In addition, MWAA's contracting officers and COTRs are not required to earn or maintain acquisition certifications. Federal agency contracting officers and COTRs are required to complete specific acquisition-related certification programs and to earn continuing education credits to maintain certification. These certifications can provide staff with the training needed to ensure proper contract award and oversight. According to MWAA officials, training budgets<sup>40</sup> were not fully used in the past because staff lacked the time for training due to increased workloads. This indicates that MWAA has not made training a priority for its acquisition staff.

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<sup>39</sup> Transportation Acquisition Manual, Section 1219.202-270.

<sup>40</sup> From 2009 to 2011, MWAA allotted \$15,000 annually for the Procurement and Contracts Department, approximately 15 employees, or \$1,000 per person.

### *MWAA's Contracting Policies and Practices Do Not Emphasize Procurement Integrity*

MWAA also lacks comprehensive policies to ensure impartiality when awarding and administering contracts. For example, MWAA's Contracting Manual lacks sufficient rules to ensure that employees do not divulge non-public and sensitive procurement information to potential contractors. Federal rules prohibit employees from disclosing information that could jeopardize procurement integrity—such as source selection information and bid or proposal information.<sup>41</sup> Without such restrictions, contractors can gain an unfair advantage when bidding for contracts. For example, one MWAA Board member, who was the Chairman of the committee responsible for selecting a contractor, disclosed in an email to a potential contractor another contractor's pricing.<sup>42</sup> In another example, the former Vice President for the Office of Information and Telecommunications Systems provided non-public information about an upcoming solicitation to a contractor who was ultimately awarded the contract. Such actions by Federal employees would be considered violations of Federal laws and regulations.

In addition, while the Federal Government imposes some post-employment restrictions on Federal employees, MWAA lacks any post-employment restrictions for Board members and employees. A lack of post-employment restrictions may present at least the appearance that prior members were given an unfair advantage in receiving contracts. We identified 7 former Board members and affiliated firms who have been awarded 30 contracts, amounting to almost \$2 million since 2003. One former Board member was awarded 16 sole source contracts totaling \$262,000 over the past 10 years—the first only 3 months after the member left the Board in 2002. In response to our concerns, MWAA recently began terminating its contracts with former Board members and is not renewing its contracts with other former members. In September 2012, MWAA approved a new ethics code that will prohibit contracts with Board Members for 2 years after the conclusion of their service.

### **MWAA'S ETHICS CODE AND PROCESSES HAVE BEEN INSUFFICIENT TO PREVENT ACTUAL AND PERCEIVED CONFLICTS OF INTEREST AMONG EMPLOYEES**

As required by the lease agreement with DOT, MWAA created a code of ethics with provisions aimed at ensuring the ethical conduct of its employees. However, the code and MWAA's related processes have not been sufficient to prevent actual and perceived conflicts of interest and other violations. Specifically, MWAA lacks effective procedures to detect violations of its anti-nepotism provision and to

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<sup>41</sup> 41 U.S.C. 2102; FAR 3.104-3; 5 CFR 2635.703.

<sup>42</sup> This individual is not a current Board member; however, this incident occurred when the individual served as a Board member.

identify potential conflicts of interest through its financial disclosure process. A lack of required ethics training for all employees has compounded these weaknesses. As a result of these weaknesses and poor oversight, there have been multiple violations of the code's anti-nepotism and gift prohibition provisions and a lack of assurance that employees are fully aware of the ethics requirements. While MWAA recently approved a new code of ethics for its employees, which takes effect in January 2013, additional actions will be required to ensure that the new code is implemented and followed.

### **MWAA Lacks Sufficient Controls To Detect and Prevent Nepotism**

According to MWAA's ethics code, MWAA employees may not hire, supervise, or work with family members.<sup>43</sup> However, MWAA lacks controls to detect and prevent these prohibited relationships. For example, MWAA's employment application requests applicants to identify known relatives or friends at MWAA but not the exact relationship, which makes it difficult to determine whether the relationship would constitute nepotism if the applicant were hired.

The lack of oversight and responsibility has resulted in clear violations of MWAA's anti-nepotism provision, which states that employees may not

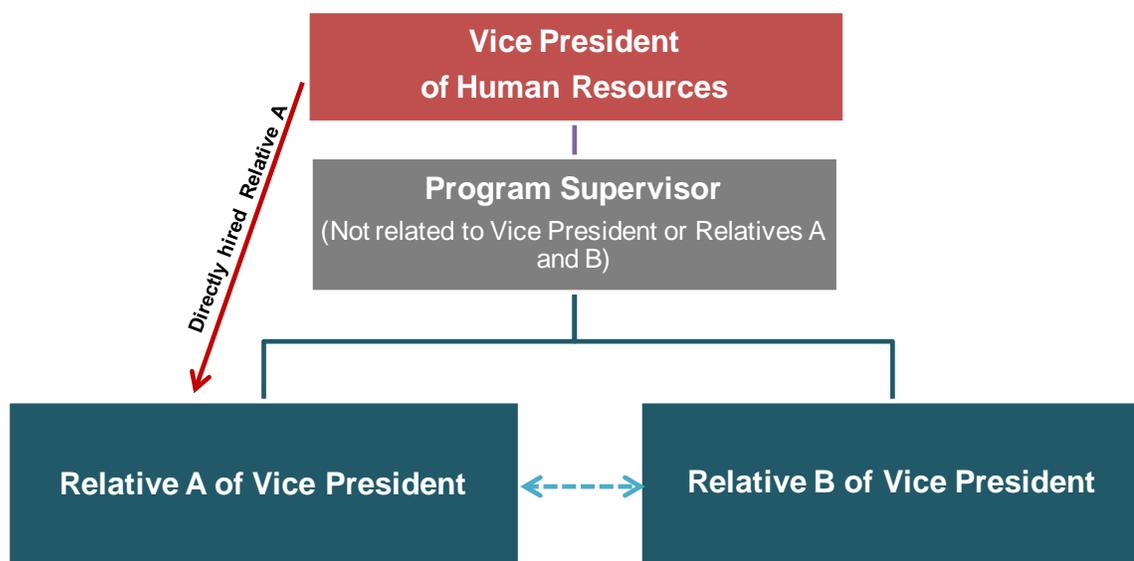
- appoint, employ, promote, or advance a relative within MWAA;
- directly or indirectly supervise relatives or have influence over the work, employment status, or affairs of the organizational unit; or
- work with a relative under the same supervisor.

One MWAA department in particular violated every component of the provision. In this case, two relatives of the Vice President of Human Resources (Relatives A and B in figure 2) worked within his department. Yet, the Vice President denied having any relatives who worked at MWAA.

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<sup>43</sup> The code specifies relatives as father, mother, grandfather, grandmother, son, daughter, granddaughter, grandson, brother, sister, uncle, aunt, nephew, niece, husband, wife, father-in-law, mother-in-law, daughter-in-law, son-in-law, brother-in-law, or sister-in-law.

**Figure 2. Organizational Chart Depicting Violations of Nepotism Provision Within Human Resources Department**



Source: OIG analysis.

As depicted in the figure, the following violations were committed:

- The Vice President directly hired Relative A into a position under a direct report (Program Supervisor in figure 2). Moreover, once the Office of Public Safety completed a background check for Relative A, the Office recommended against hiring the employee due to questions about the employee's suitability. However, the Vice President overrode this recommendation and allowed Relative A to stay in the position. In addition, the official allowed Relative A to start working at MWAA 3 weeks prior to completion of the background check, which is contrary to MWAA's hiring practice.<sup>44</sup>
- Relative B is an immediate family member of Relative A. Relative A has the opportunity to influence the work decisions of Relative B due to the particular nature of their positions and the workflow of the program for which they both work.
- The Vice President and Relative B are also related, but their specific family relationship is not included in MWAA's list of prohibited relationships in its anti-nepotism provision. However, given the Vice President's position as the head of the department, the appearance of preferential treatment exists. While the Vice President does not directly supervise Relative B, he is responsible for approving the bonuses, awards, salary, and promotions for all employees in the

<sup>44</sup> MWAA's hiring practice does not allow employees to start work until after they have passed their background check.

department. Therefore, he has a supervisory relationship with both Relatives A and B.

Without clear internal controls to prevent and detect nepotism, MWAA is vulnerable to the perception of favoritism and cannot ensure that all employees are hired based only on the merit of their qualifications.

### **MWAA's Financial Disclosure Processes Have Not Promoted Full Disclosure of Conflicts of Interest To Ensure Compliance With Ethics Provisions**

MWAA's financial disclosure process has also lacked the rigor needed to ensure employees fully report conflicts of interest that damage the Authority's credibility. At the time of our audit, MWAA's code required MWAA executives, Vice Presidents, and all employees who report directly to the executives or Board of Directors—as well as employees who work in certain departments<sup>45</sup>—to annually disclose personal financial interests in any business doing business with MWAA. However, disclosure requirements for other MWAA staff were less clear, including those for certain contracting officers and COTRs. Further, in contrast to Federal disclosure policies—which require employees to report assets and income, liabilities, outside positions, agreements or arrangements,<sup>46</sup> and gifts and travel reimbursements—MWAA's disclosure policies only required staff to identify businesses that are a source of employment or other income and businesses in which the employee has an ownership interest or an actual or potential liability.

Furthermore, MWAA's code lacked a clear requirement for employees to disclose receipt of gifts. MWAA's code of ethics prohibits employees from accepting gifts of more than \$25, with some exceptions, or on a regular and frequent basis from vendors either conducting or seeking to conduct business with the Authority. Yet, the MWAA Vice President for Information and Telecommunications Systems and staff members in his department regularly and frequently accepted gifts well in excess of \$25 from an MWAA contractor with a major contract with the department he managed. From 2006 to 2010, the Vice President<sup>47</sup> and staff members—including the COTR for the contract in question—accepted a total of 46 gifts at a total value of at least \$12,000.<sup>48</sup> In addition, the Vice President

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<sup>45</sup> These departments include Police and Fire Chiefs and employees of the following departments: Procurement and Contracts Department, Concessions and Property Development, Office of General Counsel, Office of Air Service Planning and Development, Office of Audit, Treasury Branch of the Finance Office, and Manager of Airlines Relations, the Controller, the Controller's secretary, Executive Assistant to the Chief Financial Officer, Managers of Airports' and Public Safety's Administration, Airports' Contract Management Divisions and Procurement Offices and the Public Safety Property/Supply Office.

<sup>46</sup> These agreements and arrangements involve current or future employment; leave of absence from another employer; continuation payment from another employer; and continuing participation in another employer's pension or benefit plan.

<sup>47</sup> The Vice President for Information and Telecommunications Systems was terminated from MWAA in April 2012.

<sup>48</sup> The value of some gifts, including professional sporting events, was not disclosed.

solicited at least one gift for a major sporting event. Accepted gifts included the following:

- Two tickets to the 2009 Super Bowl, associated travel, and accommodations in Tampa, FL, valued at almost \$5,000
- Four trips to golf tournaments, including one trip to the 2009 U.S. Open Golf Tournament in Long Island, NY, and three all-expense paid trips to Hilton Head, SC
- A trip to New York City to attend a major league baseball game
- Nineteen other major sporting events, such as professional basketball and hockey games
- Three concerts, including performances by famous pop artists
- A fishing trip, including food and drinks
- Seventeen social events with food and beverages

While the code encourages employees to seek advice from the Office of General Counsel before accepting gifts, General Counsel staff were not aware of anyone seeking advice regarding these particular gifts. Further, MWAA's financial interest form did not request information on gifts. Disclosing gifts could serve as an important control to help MWAA prevent and detect instances where employees accepted gifts that could have influenced their decisions.

Another key area of concern is the lack of requirements to ensure all contracting officers and COTRs certify that they do not have personal financial interests in the contracts they award and administer. Specifically, MWAA's Contracting Manual only requires contracting officers and COTRs who serve as part of technical evaluation committees to certify they do not have a personal financial interest in any contractors they are evaluating. However, not all contracting officers and COTRs who award or administer contracts participate in technical evaluation committees, which can lead to gaps in certification. Further, although MWAA requires contracting officers to submit financial interest forms, it does not require COTRs to submit the forms. In total, we identified 168 out of 183 active COTRs who have not completed financial interest forms; a few COTRs were required to complete the forms for other duties.

Inadequate reviews of financial disclosure forms have further undermined MWAA's employee ethics code. The Office of General Counsel, which serves as MWAA's ethics office, is responsible for collecting and reviewing financial interest forms. However, reviews were often limited to a cursory check by a staff assistant to make sure all forms have been signed and returned. Further, MWAA does not require that the reviews be signed or dated or otherwise documented. At

the same time, MWAA has not required employees to complete all sections of the form. In 48 (38 percent) of the 125 forms we reviewed,<sup>49</sup> MWAA allowed employees to leave sections of the form blank. However, “N/A” or “None” responses would have been more appropriate and assured the reviewer that the employees read and understood the question and were, in fact, indicating that the question was not applicable to them or that they had no conflicts of financial interests. Instead, MWAA relies on a pre-printed statement located above the form’s signature line as assurance that employees accurately disclosed all required information.<sup>50</sup> In contrast, the U.S. Office of Government Ethics requires Federal employees to affirmatively state whether or not they have any information that must be disclosed in each section of the financial disclosure form (such as by including “None” for a response rather than leaving it blank). This eliminates ambiguity regarding filers’ intentions.

Finally, the former CEO’s 2009 financial interest form was incomplete, lacking key details about the CEO’s financial holdings.<sup>51</sup> These weaknesses raise questions regarding MWAA’s commitment to ensuring compliance with ethics requirements, especially for its most senior executives.

MWAA’s revised ethics code for employees, effective January 2013, will address several of these issues by enhancing the requirements for financial disclosure, including requiring employees to disclose gifts.

### **MWAA Did Not Require Recurring Formal Ethics Training for All Employees**

A lack of effective ethics training for employees has also exacerbated MWAA’s weaknesses in its ethics code and processes. Widely considered a best practice among ethics experts for public organizations, periodic ethics training can educate individuals regarding the requirements and standards to which they are held, and set a tone regarding the importance of ethical conduct in all official acts. While new MWAA employees receive an introduction to the ethics code at orientation, they do not sign an acknowledgment that they received, read, and understand MWAA’s ethics policy. Beyond this initial orientation, the only training MWAA provided at the time of our review was one course that discussed part-time jobs and gifts, among other topics, for supervisory employees.<sup>52</sup> All other employees, including senior executives and Vice Presidents, were exempted. Without a strong,

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<sup>49</sup> Of the 129 employees required to file financial interest forms between 2009 and 2011, we selected 50 employees to review, of which 49 employees were randomly selected and 1 employee was selected based on employee interviews. This amounted to a review of 125 financial interest forms from the 50 sampled employees.

<sup>50</sup> This statement reads, “If I have not completed any of the earlier parts of this form, I certify that neither I nor any member of my Immediate Family has a financial interest, as defined in the Code, in any entity currently doing business with the Airports Authority.”

<sup>51</sup> Specifically, the former CEO’s disclosure form was missing the page that identifies businesses in which employees or their immediate family members have an ownership interest or an actual or potential liability.

<sup>52</sup> This course was offered throughout October through December 2010.

comprehensive employee ethics training program, it is difficult for MWAA to hold its employees accountable to its ethics requirements or take disciplinary action against violators.

## **MWAA LACKS HIRING AND COMPENSATION POLICIES AND PRACTICES TO ENSURE SUFFICIENT OVERSIGHT AND ACCOUNTABILITY**

Significant deficiencies in MWAA's hiring and compensation practices call into question the integrity of the Authority's management and the qualifications of the Authority's workforce. MWAA senior officials made questionable hiring decisions by circumventing key components of MWAA's hiring process to bring on or promote preferred candidates, regardless of their background check results or qualifications. In addition, managers authorized excessive salaries, unjustified hiring bonuses and cash awards, and ineligible benefits. Moreover, several of these questionable decisions occurred within the Office of Human Resources, despite its responsibility for setting hiring and compensation standards and ensuring sound management practices for the Authority. This lack of accountability, oversight, and controls has created a culture of favoritism at MWAA that has negatively impacted employee morale and exposed the Authority to legal complaints.

### **Senior Officials Made Questionable Hiring Decisions by Circumventing Key Components of MWAA's Hiring Processes**

While MWAA has a standard hiring process it generally follows for filling employment vacancies or creating new positions, this process has not been formally documented as an official policy, despite the recommendations of an external governance consultant to do so.<sup>53</sup> This lack of an official policy made it easier for certain MWAA senior officials to circumvent MWAA's standard hiring process to place candidates they desired into new or existing positions, regardless of their qualifications or their ability to pass a background check.

#### *MWAA Did Not Follow Competitive Hiring Practices for Some Positions*

Under MWAA's standard hiring process, applicants typically undergo a competitive interview process by a panel, which makes a recommendation to the hiring official based on the candidates' qualifications. However, in multiple instances, MWAA officials either circumvented or ignored the competitive interview process in order to place a candidate they preferred into a position.

- For one job opening for a contracting specialist, MWAA held competitive interviews for the position, and the interview panel recommended a candidate who was deemed best qualified for the position. However, the Vice President

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<sup>53</sup> This recommendation was made in an organizational study that was contracted by MWAA in September 2010.

of Business Administration disregarded the panel's recommendation and hired a different individual without a clear justification for the selection. Subsequently, the candidate who had been recommended by the interview panel filed a discrimination complaint, and MWAA hired an outside law firm to review the hiring process for the position. The outside firm's review substantiated the complaint, and, as a result, MWAA offered a settlement to the candidate, including moving the candidate into the position.

- To fill a key management vacancy in Labor Relations, the Chief Operating Officer (COO) instructed the Vice President of Human Resources to convene a selection panel to review candidates qualified for the position. However, the position remained open for more than a year due to a series of internal disputes over the qualifications of the panel assembled by the Vice President, his desire to hire a personally preferred candidate, and an Equal Employment Opportunity (EEO) complaint filed by a seemingly qualified candidate who was not offered an interview. A year later, the position was filled with an MWAA employee who proved not to have the experience needed for the position and was subsequently transferred elsewhere. Ultimately, the key position was filled by one of the original candidates—16 months after the position originally opened.
- One executive assistant was promoted to a new position that had not been opened for internal or external competition. To fill the now-vacated executive assistant position, MWAA did not follow a standard hiring process but rather promoted a candidate to the position who had not applied for the job.

### *MWAA Disregarded Its Internal Procedures for Creating New Positions*

In at least two cases, senior executives created new positions designed with certain people in mind and did not follow standard processes to create and fill these positions. Typically, MWAA's process for creating a new position includes establishing a comprehensive job description and minimum and preferred qualifications for applicants, subjecting the position to a thorough review by MWAA's compensation department (located within the Office of Human Resources), and then holding a fair and open recruitment to attract the best candidates. Yet, the MWAA CEO and COO created new positions without completing these steps. These decisions not only limited employment opportunities for potentially qualified candidates, but raised questions regarding the qualifications of the employees placed in these positions—as well as the necessity of the positions for MWAA's operations. For example:

- The CEO created an advisory position for a former Board member without specifying what the job entailed or establishing market salary and benefits. In February 2012, the former Board member was hired by MWAA 1 day after

resigning from the Board. The compensation for this advisory position included a salary of \$180,000. Subsequently, key MWAA stakeholders questioned the appointment, and the former Board member was terminated—with a year’s severance pay.

- At the request of a Board member, the COO directed the appointment of a specific individual into an entry-level position. The individual, who was an immediate family member of the Board member’s close friend, was placed at one of the airport warehouses, which put this department into overstaffed status at the objection of its Vice President. Moreover, the individual was not given any clearly defined job duties. This position was originally labeled temporary, but it was not until almost 5 years later—when the position was converted to permanent status—that a job description with performance expectations was established.

### *MWAA Used Its Student Program To Circumvent the Standard Hiring Process for Certain Employees*

MWAA officials, including the Vice President of Human Resources, intentionally allowed employees who were not students to be hired into and continue employment at MWAA via its student program. MWAA’s student program is a partnership between the Authority and local high schools and universities that simultaneously provides valuable work experience to students and staffing assistance to MWAA. To participate in the program, a student must be enrolled in a high school or an accredited college or university, maintain at least a 2.3 grade point average, and be at least 17 years old. However, the appointing official for four student employees acknowledged that they did not meet the basic requirement of being enrolled in a high school or an accredited college or university during their time in the program.

According to the Vice President of Human Resources, hiring these employees into the student program was justified because they were needed to help manage the program itself, and due to limited funds in MWAA’s regular budget, it was necessary to pay the employees from available student program funds. However, personnel documentation was prepared that falsely showed student status; compensated the employees using the student pay scale; and/or correlated “not to exceed” dates to the term limits imposed by the student program, which are based on school semesters.<sup>54</sup> The four temporary employees have received pay increases ranging from approximately 10 percent to 60 percent since their initial hire date at MWAA. In addition, the Vice President indicated that the arrangement was temporary, but one employee retained false student status for about 2 and a half years until being transferred out of the program.

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<sup>54</sup> Student program timeframes have limits on the number of hours workable during each term.

### *MWAA Hired Some Employees Without Completing Background Checks*

Under MWAA's standard hiring process, an applicant's appointment is contingent on his or her ability to pass a background check conducted by MWAA's Office of Public Safety. These background checks provide an important internal control in MWAA's hiring process by verifying that candidates do not have undisclosed criminal records, significant flaws in their previous employment histories, any false statements or significant omissions, or other issues that might render them unsuitable for a position at MWAA. However, our review revealed a number of issues with MWAA's background check process:

- **Disregarding Background Check Results.** MWAA managers allowed some job candidates to begin work prior to the completion of their background checks. In one case, a candidate had been working at MWAA for 3 weeks when the Vice President of Public Safety recommended against hiring the candidate based on the results of the background check, which indicated that the candidate made false statements and had a poor credit history. In this case, the Vice President of Human Resources chose to ignore the recommendation and allowed the candidate to remain in the position.
- **Weak Oversight of Background Investigators.** In one notable case, a 24-year veteran of MWAA who conducted background checks through the Office of Public Safety deliberately misrepresented that background checks of new employees were completed. Specifically, the investigator misused his authority to sign off on background checks without completing—or in some cases, initiating—background investigations and without the Vice President of Public Safety's concurrence.<sup>55</sup> After discovering the investigator's abuse—the full extent of which is unknown—the Office of Public Safety made immediate changes to its process, and stated that it plans to re-check all employees whose background checks were conducted under the responsibility of the negligent investigator. The investigator resigned in April 2012.
- **Poor Coordination To Ensure Completion of Background Checks.** Because the Office of Public Safety does not have access to candidates' names and other hiring information, such as employment applications and other job-related data, it depends on the Office of Human Resources to provide the information needed to initiate a background check. However, both departments

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<sup>55</sup> Prior to this discovery, investigators were given the authority to stamp the Vice President's signature on the memorandum provided to the Office of Human Resources to indicate that a candidate cleared his or her background check. Under this practice, investigators were required to obtain the supervisor's concurrence with the results of their investigation prior to signing off on the document.

lack a formal process to ensure investigators receive information on all candidates.<sup>56</sup>

Background checks for temporary and student employees have been particularly problematic. Temporary employees generally did not undergo background checks, and in cases where background checks were requested by the Office of Human Resources the checks were not always completed. A background check of one temporary employee—who did not fully disclose prior criminal convictions on the employment application—was never completed; yet, the investigator cleared this employee for hire. The employee held a management position in the Office of Human Resources at MWAA for more than a year—with an annual salary of nearly \$135,000 and access to sensitive and personal information—before being terminated. Two other contractor-provided<sup>57</sup> temporary employees with prior criminal charges (including charges of misdemeanor assault and drug possession with intent to distribute) worked at MWAA for at least a year. However, these employees did not receive a background check until they were transitioning into full-time permanent positions in MWAA, at which point they were subjected to MWAA’s standard background checks. The Vice President of Public Safety eventually recommended against hiring them as permanent employees.

Background checks on potential student employees were also limited. MWAA’s student program has placed student employees in positions throughout the Authority that have allowed them access to security sensitive and personal information, including official personnel folders. Past student positions include finance clerk, maintenance trainee, budget clerk, procurement technician, clerk typist, and human resources assistant. Despite their access to sensitive information and student program guidance stating that all program participants need to “successfully complete an in-depth background investigation,” student employees’ background reviews were essentially a credit history check.

Throughout the course of our audit, we communicated issues we identified to MWAA. As a result of our observations, the Office of Public Safety has now begun to conduct background checks for students and plans to check certain contracted temporary employees, as well as screening for additional issues such as nepotism.

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<sup>56</sup> The July 2011 organizational study also recommended that MWAA offices prepare service level agreements to increase teamwork initiatives between departments.

<sup>57</sup> This contractor was the same as the one referred to as Contractor A in the procurement section of this report (see table 2).

## **Senior MWAA Officials Authorized Excessive Salaries, Hiring Bonuses, Cash Awards, and Ineligible Benefits**

MWAA management has also made questionable decisions regarding employee salaries, hiring bonuses, cash awards, and benefits, raising concerns that MWAA may be overcompensating unqualified employees. These decisions demonstrate a significant lack of oversight over employee compensation and have led to the appearance of a culture of favoritism at the Authority.

### *MWAA Managers Overruled Pay Setting Reviews To Offer Higher Salaries to Some Employees*

MWAA senior officials disregarded or overruled internal controls to award higher salaries to certain employees. MWAA's compensation department conducts pay setting reviews for new and existing positions to ensure that compensation is in line with local market comparisons. This allows MWAA to remain competitive in recruiting and retaining employees while maintaining its financial efficiency. However, MWAA senior officials have circumvented this process by hiring or promoting employees into positions with unclassified duties,<sup>58</sup> which bypasses the compensation department because there are no clearly specified job descriptions to review. In some cases, senior officials disregarded the compensation department's review and awarded higher salaries. For example:

- One secretary was hired at a salary that was 20 percent higher than the newest employee in a similar position at the Authority and 36 percent higher than the secretary's previous earnings as a contract employee for MWAA. The Vice President of Human Resources stated that the increased salary was warranted due to the employee's education and prior experience qualifications, which were greater than required for the position. However, after reviewing the position, MWAA's compensation department stated the salary was "unjustifiably inflated" and therefore could not be supported. Despite the compensation department's assessment, the Vice President awarded the employee the higher salary.
- One senior official approved an employee's salary that was above the threshold that requires further approval by a higher-level official. However, the senior official never obtained the required signature for the employee's compensation, and there are no internal controls to ensure that this higher-level approval is received. Moreover, because human resources documentation listed the position as having unclassified duties, MWAA's compensation department did not perform a review. As a result, the employee remained in the position without any review to justify that the salary was appropriate.

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<sup>58</sup> "Unclassified duties" is a category MWAA uses on official personnel forms when a person is hired without a job description or clearly defined duties and without an officially defined title and pay grade.

- One executive assistant in the Office of the Board of Directors, who had a prior employment relationship with a former Board member, was hired as a temporary employee with unclassified duties and then converted to a regular full-time MWAA position. This conversion included a two-step pay grade promotion amounting to a \$15,000 raise (30 percent) after being employed for only 5 months. However, there was no documentation to justify the promotion and the salary level beyond a statement that the salary was set by the Board of Directors.<sup>59</sup>

### *Hiring and Other Bonuses Were Awarded Without Justification*

MWAA occasionally awards hiring bonuses to new employees for recruitment purposes for positions that are unique or difficult to fill. However, MWAA lacks a formal policy requiring appointing officials to justify why candidates should receive a bonus. In addition, there is no oversight to verify that new employees merit the bonus based on an urgent recruitment need. For example, one MWAA employee received a \$10,000 pay increase and a \$10,000 hiring bonus for moving into a new position at the Authority after working for MWAA for only 7 months. In another case, MWAA awarded a \$5,000 hiring bonus for a position that had not been difficult to fill.

MWAA managers and senior officials also did not adequately justify cash bonuses awarded to employees. MWAA's employee recognition program, "I Made a Difference," allows managers to reward employees for exceptional accomplishments or actions that contribute to the Authority's mission and initiatives. Ranging between \$50 and \$2,500 per award, the awards require the approval of a senior official, but there are no limits for the number of awards or a maximum dollar amount an employee can receive in a given period. One Human Resources manager received awards in 4 consecutive years, including two \$2,500 awards within a 7-week period in December 2010 and January 2011, with little indication of meritorious achievements in the written justification for the awards. For example, the manager received a \$2,500 award for "outstanding assistance" to external consultants hired by MWAA, but the justification for the award does not describe the specific actions and resulting impact that warrant the award. Another employee in a different department received \$5,000 in multiple awards in less than 1 year (including three awards within 1 month totaling \$3,000). While award programs can play an important role in recognizing accomplishments and retaining exceptional employees, misusing these awards can create a climate of favoritism that actually risks lowering employee morale.

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<sup>59</sup> While the Board of Directors has the authority to approve managerial positions reporting directly to the President and CEO, this was an executive assistant position and therefore not subject to Board approval.

### *MWAA Managers Authorized Employee Benefits That Violated Eligibility Requirements*

Managers also abused MWAA's benefits program to award benefits to individuals who were not eligible. For example:

- One Human Resources manager arranged for a former MWAA employee to continue to receive pay and leave benefits by delaying the former employee's employment separation paperwork and fraudulently submitting a time card that claimed sick leave for the employee. The fraud was uncovered by an employee, and the manager was disciplined for time card fraud, which included a 3-day suspension.
- Two MWAA employees—the Vice President of Audit and a Human Resources manager—inappropriately added ineligible individuals to their medical benefits. According to MWAA's medical benefits policy, employees must be a legal guardian of a dependent to include the dependent in their benefits. While the two employees claimed that they were the legal guardians of the individuals they claimed as dependents, this was not the case. Moreover, the Benefits and Retirement Manager approved the benefits without verifying the individuals' eligibility.

### **Senior Officials Made Questionable Hiring and Compensation Decisions for the Same Employees**

Overall, senior officials made many of the questionable hiring and compensation decisions for the same employees. We identified 21 employees who were hired with multiple hiring and compensation deficiencies, including 2 who were hired with all 5 deficiencies (see table 4).

Ultimately, these cases of multiple deficiencies involving specific employees suggests favoritism, a lack of accountability, and serious oversight lapses within MWAA's overall hiring and compensation practices.

**Table 4. Hiring and Compensation Deficiencies for Selected Employees**

Employee	Temporary Employee Status	Related to Another Employee or Board Member	Questionable Hiring or Promotion	Incomplete or Questionable Background Check	Questionable Compensation and Benefits
1			X		X
2	X			X	X
3	X		X	X	X
4				X	
5	X		X	X	X
6	X		X	X	X
7	X	X	X	X	X
8			X	X	X
9	X		X	X	X
10	X		X	X	X
11	X		X	X	X
12	X		X	X	X
13		X	X	X	X
14	X		X	X	X
15	X		X	X	
16					X
17			X	X	X
18	X	X	X		
19			X	X	X
20	X		X	X	X
21	X	X	X	X	X

Source: OIG analysis, based on a judgmental sample of 21 out of 34 employees provided through interviews.

## **MWAA'S POLICIES AND PROCESSES DID NOT ENSURE ACCOUNTABILITY AND TRANSPARENCY FOR ITS BOARD OF DIRECTORS**

Weak ethics and travel policies, a lack of oversight, and significant gaps in transparency have greatly diminished the Board's accountability. Since the start of our audit and continuing after the release of our May 15, 2012, interim letter, MWAA's Board has taken steps to improve its accountability and transparency, such as revising its travel policy and providing more information about its meetings and decisions online. However, some issues remain to be addressed, such as regulating Board spending on its guests during business meetings and meals.

## **Board Policies Have Not Been Sufficient To Prevent Potential Conflicts of Interest, but Effectively Implementing New Policies May Prevent Future Unethical Behavior**

Because MWAA's Board members are not bound to Federal, State, or local ethics and financial disclosure laws,<sup>60</sup> the Board must rely on the strength of its internal policies and processes to ensure Board integrity. However, MWAA's Code of Ethical Responsibilities for its Board members—which is separate from that for MWAA employees—has lacked the rigor needed to identify and evaluate potential conflicts of interest and ensure Board decisions are objective. A lack of oversight has further undermined efforts to promote ethical conduct. Following the publication of our interim letter, the Board Chairman stated that revisions to MWAA's Board's ethics policy will be made to address our ongoing concerns. MWAA recently approved a new code of ethics for its Board, which will be effective December 1, 2012. While these revisions are an important step to improve the Board's accountability, effective implementation and oversight will be critical to ensuring ethical behavior among Board members.

At the time of our audit, MWAA's financial disclosure process for its Board of Directors only required Board members to identify the employers of their immediate family members and to disclose their financial interests in entities that are either currently involved with or seeking a contract with the Authority.<sup>61</sup> In addition, MWAA's policies have been vague regarding when and how Board members must recuse themselves from proceedings due to a conflict of interest. MWAA has also lacked guidelines to screen a Board member from involvement in any matter from which the Board member is recused. In contrast, Federal employees who are subject to disclosure requirements reveal all financial interests and other affiliations, with some exceptions,<sup>62</sup> as well as liabilities, gifts, arrangements and agreements for employment, outside positions, stock holdings (above a low threshold), and travel reimbursements. Federal ethics officials use this information to identify potential conflicts and advise employees on how to avoid potential conflicts. Further, Federal ethics guidelines recommend a system that implements screening practices to ensure that employees comply with their recusal obligations. An effective system actively screens for matters that may relate to a Board member's interests and refers any potential matters to the appropriate parties to ensure that they are addressed. MWAA's financial disclosure system fails to include such proactive steps.

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<sup>60</sup> Although Board members may file a Federal or State disclosure file as part of the appointment process, MWAA does not review them or use them as part of its ethics program.

<sup>61</sup> MWAA provides Board members with a list of these entities, and Board members are required to report any interests they may have with the listed entities.

<sup>62</sup> Exceptions include those interests that fall within well-defined categories that have been found unlikely to create a conflict of interest (for example, ownership of a diversified mutual fund).

As with MWAA employees, MWAA encourages Board members to seek counsel if they believe a potential conflict of interest exists. However, MWAA has not provided the oversight needed to ensure Board members understand the importance of and comply with its ethical standards. Further, MWAA did not provide formalized training on ethics or on the financial disclosure process to Board members. Although Board members are ultimately responsible for identifying and disclosing any potential conflicts of interest, oversight and regular ethics training can play a critical role in reinforcing ethical guidelines and emphasizing steps Board members should take to avoid potential conflicts of interest.<sup>63</sup>

Perceived conflicts of interest with Board members have already damaged MWAA's credibility. For example, one Board member's recommendation led MWAA to initiate a \$100,000 contract with a law firm that employed the member's spouse—creating at least the appearance of a conflict of interest. Although MWAA's policy states Board members may not participate in any Board decision or Authority action when a conflict of interest or the appearance of one arises, MWAA awarded the contract to the Board member's recommended firm.

MWAA's code of ethics for its Board contained other weaknesses. Notably, at the time of our audit, it did not include a provision against nepotism as its code for employees does. An ethics policy that clearly delineates the types of relationships that are and are not acceptable between Board members and hired MWAA employees is key to ensuring relatives and friends of Board members do not receive preferential treatment. For example, MWAA hired the grandchildren of two Board members. In particular, one Board member had at least two grandchildren working at MWAA. The same Board member also insisted that MWAA hire an immediate family member of his close friend. MWAA's recently revised Board code of ethics contains a new provision preventing this type of influence.

### **MWAA Recently Revised Its Travel Policies To Help Ensure Board Travel Expenses Are Reasonable**

When we began our review, MWAA's policies for Board travel lacked clarity and oversight in key areas, including spending thresholds for meals and travel class. In addition, there was little to no oversight of travel expenses, even those that the Board Chair was supposed to approve under MWAA's policy. These weaknesses created the risk that Board travel expenditures could be perceived as excessive by stakeholders and the public. We identified several costly meals and expensive plane tickets that MWAA reimbursed, including \$238 for two bottles of wine

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<sup>63</sup> When the new Board ethics code is implemented, effective December 1, 2012, it will require both initial and recurrent ethics training for Board members.

purchased during a meal and \$9,200 for an international business-class air ticket to Europe purchased only 10 days prior to the trip.<sup>64</sup>

Since we issued our interim letter, MWAA has taken actions to address weaknesses in its Board travel policies. Most significantly, on September 5, 2012, the Board voted to revise its policies with new provisions that notably strengthen MWAA's guidelines and internal controls for travel and meal expenses. In particular, the Board voted to consolidate both the Board travel and MWAA employee travel policies—which were previously separate documents—into one overarching MWAA travel policy. Other improvements to the policy include requiring a preauthorization form to be completed and approved prior to travel in order for expenses to be reimbursed,<sup>65</sup> prohibiting alcoholic beverages from reimbursement, more clearly specifying and limiting when travelers may travel any class other than economy class, establishing a fixed per diem rate for meals and incidentals during travel, and requiring an annual review of all travel expenses by the Office of Audit.

These additions and revisions—if effectively implemented—will go far in enhancing the Board's accountability for its travel expenses. However, some gray areas remain. For example, while the new policies “encourage” travelers to find “reasonable rates” for hotel rooms, they do not clearly specify or define what makes a hotel rate “reasonable” or require Board members to comply with the reasonable rate. As a result, this particular provision may be difficult to enforce and audit.

In addition, MWAA's current policy does not address instances where Board members may need to entertain business associates to conduct or advance MWAA's business relationships—such as by clearly defining and placing spending thresholds on when meals for MWAA guests are reimbursable. Given that Board entertainment expenses were some of the most exorbitant reimbursed travel vouchers in the sample we reviewed, some further delineation for the approval of these expenses will be critical to help ensure that all costs reimbursed are necessary and in the best interests of the Authority.

### **MWAA Recently Enhanced Its Board's Transparency, but Some Key Proposed Changes Have Yet To Be Implemented**

Early in our review, we also identified opportunities for MWAA to enhance the transparency of Board decisions, activities, and processes. Transparency is critical for ensuring accountability and for keeping the public, Congress, and other stakeholders informed of major decisions that impact residents of the Washington,

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<sup>64</sup> For more details on these and other expenses, see our interim letter, available on our Web site at [www.oig.dot.gov](http://www.oig.dot.gov).

<sup>65</sup> The Board Office (which includes Board members, the Vice President and Secretary, and Board staff) are not subject to this preauthorization requirement for travel to Board and Committee meetings and any function, meeting, or event other than conferences for which the invitation has been extended to all Directors or Directors on the same Committee.

DC, metropolitan region. Largely as a result of our discussions with MWAA as well as our interim letter, MWAA has implemented or begun implementing several actions to improve its Board's transparency. These include the following:

- **Freedom of Information Policy.** In February 2012, the Board revised its bylaws to require that meeting announcements, agendas, minutes, and other key information be posted to MWAA's Web site. In July 2012, MWAA revised its internal Freedom of Information Policy, clarifying what information is not available for public release and requiring more public information to be posted online. However, one weakness in the policy is the absence of recourse for individuals who are denied access to information beyond an internal appeal process. In contrast, Federal law allows for an external judicial review in cases where a requester is denied information.
- **Opening audit committee meetings to the public.** Unlike other similar transportation boards,<sup>66</sup> MWAA has held its audit committee meetings in closed session—an especially significant gap in transparency considering the nature of the committee, which discusses issues related to policy and oversight. As we reported in our interim letter, this practice denied the public and stakeholders, such as airlines, the opportunity to learn of MWAA's internal audit findings and recommendations. Since the publication of our letter, MWAA's Board Chair has stated that he intends to allow for the audit committee to meet in regular open session when appropriate. In June 2012, MWAA held a portion of its audit committee meeting in open session for the first time. However, subsequent meetings have not been held in open session, and the Board has yet to revise its bylaws with this change, nor has it adequately defined what topics are appropriate for open session.
- **Limiting use of executive sessions.** MWAA's Board Chair has also pledged to limit the number of executive sessions used by the Board. Like other public entities, MWAA's Board holds a portion of its discussions behind closed doors in executive session to allow for confidential discussion of matters such as personnel changes or ongoing litigation. Although these sessions are a necessary and common part of doing business, their excessive use could obscure vital information and processes from the public. The risk of inappropriate executive sessions is heightened by the fact that MWAA is not

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<sup>66</sup> For example, as part of our review, we visited the Port Authority of New York and New Jersey and Dallas-Fort Worth International Airport to gain an understanding of their Boards' functions and activities, with a focus on accountability and transparency practices. We chose these entities based on their many similarities to MWAA, such as size and makeup of board.

subject to Federal or State guidelines or potential penalties for any abuse of these sessions, unlike other major transportation boards.<sup>67</sup>

## CONCLUSION

As an independent public body subject to few Federal and State laws, MWAA must rely on the strength of its policies and processes to ensure credibility in its management of two of the Nation's largest airports and a multibillion-dollar public transit construction project. However, MWAA's ambiguous policies and ineffectual controls have put these assets and millions of Federal dollars at significant risk of fraud, waste, and abuse and have helped create a culture that prioritizes personal agendas over the best interests of the Authority. While MWAA is taking positive steps to correct the deficiencies we identified—including revising its travel policies and suspending contracts with former Board members—significant weaknesses remain that leave the Authority vulnerable to criticism for its contracting practices and governance. Enhanced policies, strong internal controls, and robust oversight in the areas of hiring and compensation, ethics, transparency, and procurement will be critical to maintaining and improving the Authority's operations and restoring public trust in the soundness of its current and future activities.

## RECOMMENDATIONS

We recommend that the Office of the Secretary direct MWAA to take the following actions to promote integrity and accountability in the Authority's management and governance. We also recommend that the Office of the Secretary consider devising and adopting enforcement mechanisms to ensure that these actions are followed.

1. Provide quarterly acquisition reports to the Board of Directors and to DOT. These reports should include the following: (a) contracts awarded, dollar value, and the extent of competition; (b) name of contracting officer or delegated official who entered into the contract; (c) contract modifications and task orders issued, including dollar value; (d) contract actions approved by the Board during the quarter; (e) planned procurements for the next quarter; and (f) employees with contracting warrants and delegations and any limits to their authorities.

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<sup>67</sup> In contrast, similar entities, such as the Board of Directors of the Dallas-Fort Worth International Airport, must follow Texas State law and guidelines related to ethics, transparency, and procurement, and willful failure to comply can be punishable by imprisonment and fines. For example, a willful violation of the Texas open meetings law is a misdemeanor punishable by up to 6 months in prison and a fine of up to \$500. Under Virginia law, which MWAA is not subject to, a willful violation of the open meetings law is a \$500 to \$2,000 civil penalty for a first offense and \$2,000 to \$5,000 for a second and any subsequent offense.

2. Implement a plan with milestones to revise contracting policies and procedures to reflect Federal and other best practices, including the following:
  - a. Publicly announce intent to award sole source contracts.
  - b. Minimize categorical exceptions to full and open competition and explicitly state the conditions under which an exception can be used.
  - c. Limit the involvement of the Board of Directors and individual Board members in contracting and prohibit their ability to bypass contracting officers.
  - d. Ensure fair opportunity in the awarding of task orders under multiple-award contracts and ensure contracting officers adequately justify their selections of contractors.
  - e. Limit and monitor delegations of procurement authority.
  - f. Require program offices to prepare annual forecasts of their acquisition needs.
3. Clarify and enforce its current contracting policies and procedures, including the following:
  - a. Obtain Board approval for sole source awards over \$200,000 and all contracts other than fully competed construction contracts over \$3,000,000.
  - b. Ensure justifications for the use of categorical exceptions are adequate per MWAA's Contracting Manual.
  - c. Ensure justifications for the use of task orders over \$200,000 are adequate per MWAA's Contracting Manual.
  - d. Prohibit adding out-of-scope work to contracts and authorizing work prior to contract award.
  - e. Ensure technical evaluation committees do not include both supervisors and a subordinate as voting members when possible.
4. Define and assess the size and skills of the acquisition workforce and implement an appropriate acquisition certification program, including acquisition and ethics training.
5. Establish policies and procedures for procurement integrity, including the following:
  - a. Safeguard non-public and sensitive procurement information.
  - b. Restrict prior Board members' and employees' eligibility for MWAA contracts and prohibit them from receiving compensation from contractors who were awarded contracts, modifications, or task orders of significant

value after serving as a contracting officer, program manager, or other related positions.

6. Fully implement formal ethics policies and procedures for Board members and MWAA employees to ensure the following:
  - a. Nepotism is detected and prevented.
  - b. Board members and employees disclose debts, obligations, and holdings—regardless of whether the interests currently conduct or are seeking to do business with MWAA—and gifts on their financial interest forms.
  - c. All contracting officers and COTRs certify that they do not have financial interests in the contracts they award or administer.
7. Ensure that the review process for financial interest forms emphasizes verification and documentation of the following:
  - a. All Board members and employees completed and submitted required financial interest forms.
  - b. Any Board members and employees who have a conflict of interest or potential conflict of interest are counseled.
8. Fully implement a formal, robust ethics training program that ensures the following:
  - a. All employees receive initial training.
  - b. Recurrent training is based on employees' level of responsibility.
  - c. MWAA employees involved in contracting receive training in procurement integrity procedures.
9. Establish priorities for implementing the new Board and MWAA employee ethics codes, including developing procedures to oversee and enforce the new codes. Develop and implement a process to measure the effectiveness of the codes and the oversight and enforcement procedures, and revise or update as necessary.
10. Implement and enforce human resources policies and practices, including the following:
  - a. Implement a competitive hiring and compensation policy and process that competes positions, whether newly created positions, vacancies, or promotions. All positions should be based on a specific job description with a set salary range.
  - b. Verify that candidates and current employees meet and maintain program eligibility requirements for the student employment program.

- c. Complete background checks on all new employees prior to their start date through a formal communication and coordination process between the Offices of Human Resources and Public Safety.
  - d. Establish a list of acceptable justifications to override a no-hire recommendation from the Office of Public Safety.
  - e. Establish a policy to administer and oversee hiring bonuses and cash awards, including more stringent requirements for justifying and approving awards an employee can earn in a certain period of time.
  - f. Verify eligibility prior to authorizing and continuing pay and/or benefits.
11. Revise its travel policy to further define what constitutes a “reasonable lodging expense” for Authority-related travel and to require that travelers do not exceed the defined amount.
12. Further enhance the accountability and transparency of the Board of Directors, including the following:
- a. Further revise the Board’s bylaws to incorporate what actions the audit committee may take in closed session.
  - b. Develop a Board-specific policy that establishes guidelines for entertaining business contacts, including spending thresholds and reimbursement prohibitions for items such as meals, alcohol, and entertainment.
  - c. Include a mechanism for external review in the Freedom of Information Policy when a requester is denied information.

## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

We provided OST with our draft report on October 3, 2012, and received its formal written comments on October 18, 2012. OST’s response is included in its entirety as an appendix to this report. In its response, OST stated that the Department will formally transmit the final report to MWAA with a clear expectation that the Authority produce a detailed response within 30 days addressing each of our recommendations and specific sub elements.

OST emphasized that the Department is exercising the full extent of its authority to help MWAA address the serious problems raised in our report. According to OST, the Department has been working with MWAA over the last several months to ensure that it swiftly adopts needed reforms. In particular, the Department appointed an Accountability Officer to provide guidance to MWAA as it rewrites its policies and procedures.

As we recognize in our report, MWAA has already taken several actions to begin addressing issues raised in our audit. OST also stated that the Federal Accountability Officer has worked with MWAA to take further actions to address some of the issues in our report, such as initiating action to revise the contracting manual and delegations of authority, and planning revisions to Human Resources policies. In addition, OST stated that, looking ahead, MWAA is taking action to:

- Plan 35 ethics training sessions on the newly adopted policies for all MWAA staff, as well as one session for Board members and Board Office staff, to be completed between October 25 and November 23, 2012. Annual ethics training will now also be required for all MWAA personnel.
- Establish a database of contractors, potential contractors, and other potential prohibited sources with which to compare to financial disclosure forms and conflict of interest analyses.
- Initiate development of standard operating procedures and forms relating to ethics and travel, so that the new policies can be successfully implemented.
- Establish an internal control group to track all internal and external audits that would identify open issues and track issue and recommendation resolution. The group will also track and test all systems and policy implementation.

We acknowledge that these planned actions may improve MWAA's contracting, ethics, and transparency. However, since these actions have not yet been implemented, we have not had the opportunity to assess MWAA's execution of them. Additionally, while MWAA's planned actions represent positive steps, our audit report identifies 12 recommendations and 30 specific sub-recommendations that remain open and unresolved, pending MWAA's detailed response to the Department.

We also recommended that OST consider devising and adopting enforcement mechanisms to ensure that our recommended actions are followed. In its response, OST indicated that the Department will continue to hold MWAA accountable and is pursuing an amendment to its lease with MWAA to ensure greater oversight and enforcement. Ultimately, vigilant oversight is needed to ensure that MWAA institutes the reforms necessary to regain the public trust.

## **ACTIONS REQUIRED**

In accordance with Department of Transportation Order 8000.1C, we request that you provide a response within 30 days to this report that indicates how MWAA will resolve the recommendations in this report.

We appreciate the courtesies and cooperation of the Metropolitan Washington Airports Authority and Department of Transportation representatives during this

audit. Please feel free to contact me at (202) 366–1959 or my Deputy, Ann Calvaresi Barr, at (202) 366–6767 if we can be of further assistance.

If you have overall questions concerning this report, please contact Lou E. Dixon, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366–1427. For specific questions on contracting, please contact Mary Kay Langan-Feirson, Assistant Inspector General for Acquisition and Procurement Audits, at (202) 366–5225. For specific questions on governance and accountability, please contact Jeffrey B. Guzzetti, Assistant Inspector General for Aviation and Special Program Audits, at (202) 366–0500.

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cc: General Counsel Robert Rivkin  
Chief of Staff Joan DeBoer  
DOT Audit Liaison

## **EXHIBIT A. SCOPE AND METHODOLOGY**

We conducted this performance audit from June 2011 through October 2012 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The objectives of our audit were to determine whether (1) the policies and processes under which MWAA operates comply with the terms of the law and lease between DOT and MWAA, and (2) MWAA's policies and processes are sufficient to ensure accountability and transparency of its Board's activities. Specifically, we assessed (1) MWAA's contract award and procurement practices, including compliance with relevant laws; (2) its code of ethics for its employees; (3) its hiring and compensation practices; and (4) the accountability and transparency of its Board of Director activities.

We reviewed the Metropolitan Washington Airports Act of 1986, which created MWAA; the lease of 1987, as amended, between MWAA and the U.S. Department of Transportation through the Secretary (OST); and the District of Columbia and Virginia Commonwealth statutes covering MWAA. To test MWAA's compliance with the lease's payment requirement, we selected a statistical sample of 10 of 48 semiannual MWAA lease payments to the Federal Aviation Administration (FAA) from December 1987 to June 2011.

To gain an understanding of how MWAA operates, we met with the CEO, COO, Chief Financial Officer, managers of both Dulles International and Ronald Reagan Washington National Airports, all MWAA Vice Presidents, the Office of Business Administration, the Office of Human Resources, and the Office of Public Safety. We also reviewed internal audit reports prepared from November 2007 through June 2011. Further, to understand OST's role at MWAA, we also met with OST's liaison to MWAA and its recently appointed Accountability Officer.

To assess MWAA's contract award and procurements practices, we interviewed a range of MWAA staff, including contracting officers, COTRs, legal staff, and MWAA management. We reviewed MWAA's Contracting Manual, the Airports Purchasing Policies and Procedures Manual, prior GAO reports, MWAA's internal audit reports, MWAA's procurement staff training documents and financial interest forms, and other MWAA documents. We also reviewed Federal policies, such as the FAR, and State and local contracting policies for best practices.

In addition, we reviewed a total of 125 MWAA contracts. To select the contracts for review, we obtained contracting data from MWAA's Procurement and

Contracts Department for (1) contracts awarded between January 2009 and June 2011 and (2) all active contracts as of June 2011. We then selected two statistical samples and 69 contracts based on risk. Figure 3 details our contract selections. Further, we reviewed a nonrepresentative sample of contract modifications and task orders from sample 2, and reviewed MWAA's contract files to assess whether the contract award and administration practices complied with the Airports Act, the lease, and MWAA's Contracting Manual.

**Figure 3. Sample Selection of MWAA Contracts**

<b>Sample 1</b> (statistically selected, basis of a projection)					
<b>Number of Contracts In Universe</b>	<b>Value of Contracts in Universe</b>	<b>Range of Fiscal Years of Contracts In Universe</b>	<b>Number of Contracts Reviewed</b>	<b>Value of Contracts Reviewed</b>	<b>Range of Contract Award Years of Contracts Reviewed</b>
165	\$519 million	2009-2011	32	\$251 million	2009-2011
<b>Sample 2</b> (statistically selected, basis of a projection)					
<b>Number of Contracts In Universe</b>	<b>Value of Contracts in Universe</b>	<b>Range of Fiscal Years of Contracts In Universe</b>	<b>Number of Contracts Reviewed</b>	<b>Value of Contracts Reviewed</b>	<b>Range of Contract Award Years of Contracts Reviewed</b>
343	\$2.8 billion	1987-2011	24	\$2.2 billion	1989-2009
<b>Sample 3</b> (selected based on risk, results cannot be generalized)					
<b>Number of Contracts In Universe</b>	<b>Value of Contracts in Universe</b>	<b>Range of Fiscal Years of Contracts In Universe</b>	<b>Number of Contracts Reviewed</b>	<b>Value of Contracts Reviewed</b>	<b>Range of Contract Award Years of Contracts Reviewed</b>
<i>No universe because contracts were selected based on risk.</i>			69	\$52 million	2006-2011

To assess the effectiveness of MWAA's employee code of ethics for preventing conflicts of interest, we met with personnel from the Office of General Counsel and interviewed employees, and reviewed the Code of Ethics for MWAA Employees, dated May 2004, revised November 2009, and most recently approved on September 19, 2012 and effective January 1, 2013. Also, we reviewed all 125 certificates of financial interest filed by 50 employees in 2009, 2010, and 2011. Forty-nine employees were statistically selected from a universe of 129, and 1 was received from employee interviews.

To evaluate MWAA's hiring and compensation practices we interviewed personnel from the Office of Human Resources and the Office of Public Safety; as well as, employees from various other departments. We obtained 34 official personnel records of employees whose names were either provided through employee interviews or that we identified in the course of our review as having irregularities during the hiring or compensation process. We reviewed 23 files from the Office of Public Safety pertaining to background checks. In addition, we reviewed MWAA Directives. We also reviewed MWAA job classification reports

## **Exhibit A. Scope and Methodology**

and pay scales from 2006 to 2012; and analyzed employee complaints from 2009 through 2011, legal reviews, internal investigations, and portions of various organizational studies.

To evaluate the accountability and transparency of Board of Director activities, we interviewed current and past Board Directors and the Board Secretary; attended all MWAA Board monthly and nine Committee meetings from September 2011 through July 2012, with the exception of November 2011; and reviewed Board meetings minutes from December 2008 through March 21, 2012. We also assessed MWAA's Board bylaws as amended April 20, 2011, and later revised February 15, 2012; the "Code of Ethical Responsibilities for Members of the Board of Directors" as amended December 3, 2003; the "Code of Ethics for Members of the Board of Directors" as approved September 19, 2012, and effective December 1, 2012; the "Travel and Business Expense Guidelines for Board of Directors" as approved in 2008 and a related May 7, 2008, memorandum; and the revised "MWAA Travel Policy" as approved and effective September 5, 2012. In addition, we reviewed a statistical sample of 44 of 144 Board of Directors' travel vouchers for expenses incurred January 2010 through March 2011; and all Statements of Employment and Financial Interests filed by the Board of Directors for January 2008 through January 2011. We also reviewed MWAA's Web site to determine what information was available to the public. To obtain comparisons for transparency and accountability, we visited the Port Authority of New York and New Jersey and the Dallas-Fort Worth International Airport, attended their Board meetings, interviewed Board members and staff, and reviewed their respective Web sites.

## **EXHIBIT B. ORGANIZATIONS VISITED OR CONTACTED**

### **MWAA Board**

- MWAA Board of Directors
- Board Counsel
- Secretary to the Board of Directors

### **MWAA Officers, Offices, and Airports**

- President and Chief Executive Officer
- Executive Vice President and Chief Operating Officer
- Office of Air Service Planning and Development
- Office of Audit
- Office of Business Administration
- Office of Engineering
- Office of Finance
- Office of General Counsel
- Office of Human Resources
- Office of Information and Telecommunications Systems
- Office of Public Safety
- Ronald Reagan Washington National Airport
- Washington Dulles International Airport

### **Other Stakeholders**

- Airports Council International-North America
- Federal Aviation Administration
- Federal Transit Administration
- Office of the Secretary of Transportation
- U.S. Government Accountability Office
- Virginia Department of Transportation

### **Comparable Organizations to MWAA**

- Port Authority of New York and New Jersey
- Dallas-Fort Worth International Airport Board



THE DEPUTY SECRETARY OF TRANSPORTATION  
WASHINGTON, D.C. 20590

OCT 18 2012

MEMORANDUM TO: Calvin L. Scovel III  
Inspector General

FROM: John D. Porcari   
Deputy Secretary

SUBJECT: Office of Inspector General Draft Report on Metropolitan  
Washington Airport Authority Management Accountability

We have reviewed the Office of Inspector General (OIG) draft report, completed in response to a Congressional request from Representatives Wolf and Latham, and remain deeply concerned and frustrated by the nature and extent of the deficiencies uncovered by your office. The OIG draft report identifies a wide range of problems relating to how the Metropolitan Washington Airport Authority (MWAA) hires and trains its staff, obtains goods and services, and conducts business. We are troubled by the report's description of an organization that routinely failed to adopt and adhere to strong policies and procedures for its officials and staff. This failure resulted in numerous ethical and fiscal lapses, including the frequent award of contracts without free and open competition, cases of nepotism, and instances where employees accepted favors and gifts in the ordinary course of business. This pattern of conduct is simply unacceptable for a public body entrusted with the management and operation of important Federal assets. This way of doing business cannot continue.

The Department of Transportation is exercising the full extent of its authority to help MWAA address the serious problems raised in the report. In particular, the Secretary, along with the Governors of Virginia and Maryland, and the Mayor of the District of Columbia, sent a letter to MWAA demanding that it overhaul its policies and procedures, bringing them in line with best Federal practices. Over the last several months, the Department has been working with MWAA to ensure that it swiftly adopts the type of top-to-bottom reforms that are essential for restoring the public trust.

The Department has taken the extraordinary measure of appointing a Federal Accountability Officer to provide guidance to MWAA as it rewrites its policies and procedures. Since late July, the Federal Accountability Officer has made considerable progress in working with MWAA to address the issues identified in your interim report and the letter to MWAA signed by the Secretary. To date, the Federal Accountability Officer has worked with MWAA to:

- Issue a new travel policy, consistent with Federal law and regulation, for both the MWAA board and MWAA's employees that included a cap on daily expenditures, requirement for prior travel approval, allowable classes of expenditures, and prohibition on reimbursement for alcohol;
- Issue a new ethics policy, consistent with Federal law and regulation, for both the MWAA Board and MWAA's employees that addressed ethics training, financial disclosure, gifts, nepotism, conflicts of interest, enforcement, and established the role of an Authority-wide Ethics Officer;
- Terminate sole source contracts with former Board members;
- Initiate action to revise the contracting manual and delegations of authority; and
- Plan revisions to HR policies and the MWAA bylaws to enhance transparency.

MWAA has already taken action to address some of the issues in the report, including the termination of employees who had accepted favors and the elimination of certain categorical exceptions that may have contributed to sole-source contracting for professional services. It would be constructive for the OIG final report to ensure that it presents a full accounting of actions MWAA has taken to date. Looking ahead, MWAA is taking action to:

- Plan 35 ethics training sessions on the newly adopted policies for all MWAA staff and one session for Board members and Board Office staff to be completed between October 25 and November 23, 2012. Annual ethics training will now also be required for all MWAA personnel.
- Establish a database of contractors, potential contractors and other potential prohibited sources to compare to financial disclosure forms and conflict of interest analyses.
- Initiate development of standard operating procedures and forms relating to ethics and travel so that the new policies can be successfully implemented.
- Establish an internal control group to track all internal and external audits that would identify open issues and track issue and recommendation resolution. The group will also track and test all systems and policy implementation.

These actions are intended to ensure that MWAA has a complete set of policies and procedures that meet the highest standards of public accountability. We are pleased with the level of cooperation that the Federal Accountability Officer has received over the last few months from the MWAA Board and Executive leadership and look forward to continued cooperation, and I would ask that the final report include these important reforms.

As this work continues, it is vitally important that strong oversight and internal controls are established to ensure MWAA adheres to its new policies. To ensure greater oversight and enforcement, the Department is pursuing an amendment to the current lease with MWAA.

As established by statute, MWAA is a public entity with considerable autonomy. While the Department will continue to hold MWAA accountable in its management and operation of vitally important Federal assets, it is primarily incumbent on MWAA to institute the reforms needed to regain the public's trust.

Upon issuance of the OIG final report, the Department will formally transmit the document along with a clear expectation that MWAA produce a detailed response within 30 days that addresses each of the OIG report's 12 recommendations including and all 31 specific sub elements.

We appreciate the extensive and detailed work by the OIG on this matter.