



01/16/17

## Aviation Group Client Update

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### DOT INSPECTOR GENERAL RELEASES AUDIT REPORT ON CONTRACTING OUT FLIGHT SERVICE STATIONS

The DOT IG recently released an [audit report](#) concerning the Federal Aviation Administration's (FAA) action to contract out flight service stations. This report focused on whether the FAA achieved its anticipated cost savings when contracting out flight services.

**Background.** In February 2005, the FAA awarded a contract Lockheed Martin to operate the FAA's 58 flight service stations. By contracting these services, FAA anticipated cost savings of approximately \$2.2 billion over a 13-year period. Recommendations were made to the FAA to develop a strategy to consolidate its 61 flight service stations. In 2007, it was found that the FAA had implemented effective controls over the transition of flight service stations to contractor operations, but it was of concern whether the controls would be sufficient to maintain the quality of services or that the Agency would achieve the anticipated savings. At that point, recommendations were made to the FAA to improve controls in key areas, such as monitoring contractor staffing levels and user complaints.

**Findings.** The audit was conducted to (1) determine whether FAA achieved the original contract's anticipated cost savings, and (2) assess FAA's oversight of the program. The findings showed that of the \$2.2 billion cost savings estimated by the FAA, approximately \$2.13 billion had been achieved. The results also showed that FAA implemented effective controls for oversight of Lockheed Martin and flight services as well as several oversight mechanisms that monitor the program's safety and operations, including on-site inspections and data analyses that assess compliance with FAA Orders and contractual requirements.

The shortfall resulted from: (1) increased contract costs for flight services specialists' pay raises and resolution of contract documentation problems related to software and other technical requirements; and (2) higher-than-expected costs for continued maintenance of some functions, including a system that allows pilots and other users to obtain weather information, file flight plans, and perform other flight-related activities.

If you have any questions or would like further information, please contact Shelley Ewalt.

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McBreen & Kopko's Aviation Group represents air carriers, fixed base operators (FBOs), airport managers, aviation service providers, and business aircraft owners and operators on a wide range of aviation issues including regulatory matters, commercial transactions, aircraft finance matters, and bankruptcy and creditors' rights.

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