

ORGANIZATIONAL EXCELLENCE

Cost Control



Federal Aviation
Administration

FY 2009 Performance Target

"One activity per approved organization and achievement of 90% of the targeted savings."

Flight Plan Objective and Performance Target

Objective 3: Improve financial management while delivering quality customer service.

Performance Target: Organizations throughout the agency will continue to implement cost efficiency initiatives such as:

- 10-15 percent savings for strategic sourcing for selected products and services;
- By the end of FY 2009, reduce leased space for Automated Flight Service Stations from approximately 510,000 square feet to approximately 150,000 square feet;
- Annual reduction of \$15 million in Information Technology operating costs;
- By FY 2010, reduce overhead costs 5-10 percent through automation of invoice processing.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Target	Implement Program	1 Activity per Organization	1 Activity per Organization	1 Activity per Approved Org. & Achievement of Targeted Svgs.	90% of targeted savings
Actual	Program Implemented	1 Activity per Organization	1 Activity per Organization	1 Activity and Savings	

Definition of Measure

Unit of Measure: Achievement of 90% of targeted savings. Targeted savings for FY 2009 are all cost control targets identified and agreed upon as of November 15, 2008.

Computation: Actual savings are divided into the annual target and the result is multiplied by 100 to convert it to a percentage. The FY 2008 target is 90% of \$67,891, or \$61,102.

Formula:

$$\frac{\text{Total FY 2009 Savings Achieved}}{\text{Total Targeted FY 2009 Savings}} \times 100$$

Scope of Measure: Reduction or avoidance of costs associated with agreed upon actions (activities) that save money, avoid incurring additional costs or streamline a process. Examples include reduced staffing levels, reduced travel, reduction of contract support, contracts for acquisition of goods and services, and consolidation of similar activities that may have been performed at more than one location within the agency.

Why the FAA Chooses this Measure

FAA's operating costs have increased significantly over the past decade and oversight authorities such as the Office of Inspector General and the Government Accountability Office have raised concerns regarding FAA's escalating costs. In addition, in most fiscal years the agency must fund tens of millions of dollars of unfunded pay raises and absorb millions more in unspecified budget cuts. To address these concerns, the agency is taking aggressive steps to stem the growth of operating costs. Cost Control is a centrally developed and managed initiative under the executive direction of FAA's Chief Financial Officer. It provides the necessary impetus for implementing sustained and successful cost control activities. Organizations' participation and progress is reported to the Administrator and the Executive Management team at monthly Flight Plan meetings.

Source of the Data

Line of Business and Staff Offices (LOB/SO) utilizes a financial template designed by the Office of Financial Services (ABA) to propose general or information technology related cost saving and/or cost avoidance activities. Once submitted, the templates are reviewed by ABA analysts who validate the proposals and associated financial computations. Cost control activities are then tracked and reported on a monthly basis through an Excel spreadsheet maintained by ABA. Organizations provide monthly status updates on progress toward their annual goals.

Statistical Issues

None.

Completeness

Each completed template and monthly status spreadsheet is retained on an ABA shared drive.

Reliability

ABA verifies organizations' activities, milestones, and dollars saved/avoided using a template completed by the organizations. In addition to ABA's monthly financial tracking, individual organizations are responsible for maintaining files and spreadsheets containing supporting calculations and documentation on their activities to ensure verification by audit.