Program Guidance Letter 90-4

From:
Manager, Grants-in-Aid Division, APP-500

To:
PGL Distribution List

90-4.1 Index of Current Items. Attachment 1 contains a new index of current items in Program Guidance Letters. Updates will be dated and may be retained for quick reference to PGL subject areas.

90-4.2 Grant Agreement Form - Mark Beisse (267-8826). Attachment 2 contains another version of page 3 in the standard grant agreement form which should replace that in Order 5100.38A and your supply of FAA Form 5100-37. This will improve the readability of grant agreements until we formally change the handbook and reprint the forms. Grants issued on the forms replaced by this PGL should be left unchanged.

90-4.3 Auditing 5 Percent of AIP Grants - Dick Angle (267-8825). The guidance furnished by PGL 89-5.2 and subsequently deferred in PGL 90-1.3 is hereby cancelled. The OMB agreed with the OIG position that we should not require these audits. (Attachment 3 is a copy of the OMB response.) We are revising the OMB "Compliance Supplement" to provide additional guidance for the Single Audit Act auditors to use. Attachment 4 is a copy of what was sent to OST. We also encourage you to request audit assistance from the OIG whenever you believe there may be a significant problem.

90-4.4 Procurement Methods - Dick Angle (267-8825). Please line through the sentence in FAA Order 5100.38A, paragraph 802b(2) that states "A price quotation may * * * have begun with that contractor." This statement is inconsistent with Advisory circular 150/5100-14A and Section 511 of the Airport and Airway Improvement Act of 1982, as amended. This sentence will be removed by the next change to 5100.38A.

90-4.5 Special Condition for Pavement Quality Control - Ed Williams (267-8809). Based on comments from the field we have reissued certain portions of the special condition required by PGL 90-2.1. Please delete suggested paragraph c under item 1 and
substitute the following:

c. Procedures for determining that testing laboratories meet the requirements of the American Society of Testing and Materials standards on laboratory evaluation, referenced in the contract specifications (D 3666, C 1077).

Also please delete part of the last sentence of item 1f. The part to be deleted is "and that the quantity of materials used is adequate.

90-4.6 Special Condition for Navigational Aids - Dick Angle (267-8825). Special condition number 6 in Appendix 9 relating to navigational aids should be deleted and the following substituted in its place:

6. NAVIGATIONAL AIDS. See paragraphs 540 and 543:

"Except for instrument landing systems acquired with AIP funds and later donated to and accepted by the FAA, the sponsor must provide for the continuous operation and maintenance of any navigational aid funded under the AIP during the useful life of the equipment. The sponsor must check the facility, including instrument landing systems, prior to commissioning to ensure it meets operational standards. The sponsor must also remove, relocate, or lower each obstruction on the approach or provide for the adequate lighting or marking of the obstruction if any aeronautical study conducted under FAR Part 77 determines that to be acceptable; and mark and light the runway, as appropriate. The Federal Aviation Administration will not take over the ownership, operation, or maintenance of any sponsor-acquired equipment, except for instrument landing systems."

90-4.7 Airport Master Planning Eligibility Under System Plan Projects - Mark Beisse (267-8826). One item we discussed during the Programming Conference in November 1989 which needs additional guidance is proposed system plan projects for Louisiana and Virginia at the level of detail typically in master planning. Those specific proposals would extend the concept of airport obstruction survey projects sponsored by States to include detailed individual airport property maps (airport information management systems) in a single system plan project.

We have concluded that eligible airport master planning elements or activities which States could more efficiently manage may be approved under a system plan project. As part of the system plan project, a State may either participate in individual airport master planning projects (such as provide inventory information) or the State may conduct the entire study. This is subject to several conditions:

1. A State or metropolitan sponsor shall obtain written
agreements with airport sponsors which identify concurrence on the scope of work, responsibility of participants, and use of products. In the case of metropolitan system plan projects, States should also be a participant in the written agreements.

2. A system plan project which includes detailed master planning should be designed with special care to avoid duplication of work in other grants. In addition, master plan projects must be designed to use work available and current in system plans.

3. Work which does not contribute to making decisions about airport development should be excluded from AIP grants. For instance, proposed airport information management systems should be reviewed to selectively approve work and costs should be reasonable in terms of the overall project costs.

Master planning and system planning continue to be two distinct types of projects with different objectives. System planning elements or activities cannot be approved under a master plan project at an individual airport. Please keep APP-510 advised of innovations or problems with the above procedure.

90-4.8 Assurances at Preapplication - Mark Beisse (267-8826). A procedure will be incorporated into Order 5100.38A to formally provide a copy of the standard grant assurances for sponsors at a preapplication conference or with the acknowledgement of preapplications. The new requirement is in addition to the existing procedure where sponsors submit the standard assurances with project applications after notification of allocation of AIP funds. The new procedure will make sponsors, particularly new ones, more fully aware of their responsibilities under the proposed grant. In addition, sponsors should be provided with the then-current list of advisory circulars referenced in Standard Assurance 34 "Policies, Standards, and Specifications" and advised that, should any applicable standards change before the final grant is executed, the new standards would be included in the final grant document, unless timing and extent of any design changes would be impracticable under the circumstances. Such relief from new standards must be concurred in by the region before the grant is issued.

90-4.9 Special Conditions for Projects on Privately Owned, Public Use Airport - Dick Angle (267-8825). Order 5100.38A, paragraph 707 and Appendix 9 will be modified to include the following special conditions.

"5. No portion of Area (the portion of the airport dedicated for airport use) shall be sold, exchanged or changed from aviation use or the title encumbered without the expressed written consent of the Federal Aviation Administration."
Certain laws and regulations referenced in the grant assurances have been determined to be not applicable to private sponsors. The privately owned, public use airport must be self-sustaining if it is to continue operating. We believe that Exhibit "A" requirements may be adjusted, where appropriate, for a private sponsor to show airport land needed for aeronautical needs and separate revenue support areas. The land area devoted to aeronautical use must be sufficient for a viable airport operation to ensure that the Federal investment is protected for the grant term. Furthermore, there must be adequate justification and documentation prepared for the files to support the land area decisions. Please use the following special condition in all grants to privately owned, public use airport sponsors where less than the entire airport is dedicated to airport use.

"6. It is understood and agreed by the sponsor that Area _______ (the portion of the airport NOT dedicated to airport use but financially contributing to the overall viability of the airport) as shown on the Exhibit "A", shall continue to support the operation of the airport for a period of _______ years [NOT LESS THAN TEN (10)] from the date of this grant."

In addition, once the grant is accepted, the FAA must arrange to have the grant filed in the records at the county courthouse. This will ensure that if the airport is sold, there is public information to the new owner of the grant obligations contained in the grant agreement.

90-4.10 Allowable Costs in Conjunction with Acquisition of Noise Land - Ellis Ohnstad (267-8824). Order 5100.38A, Paragraph 711a(2), states that the costs of removing structures from land acquired under a grant for noise compatibility purposes are not allowable. However, sponsors frequently have strong justification for demolishing or otherwise removing structures promptly after they acquire property. Therefore, we intend to revise the guidance in paragraph 711a(2) to allow such costs under a grant to acquire land for noise compatibility, and to consider such costs reimbursable as part of land acquisition. Nevertheless, sponsors should be encouraged to consider other alternatives (e.g., sale and relocation, reuse for compatible purposes), if appropriate, and if those alternatives could lower project cost.

We intend to revise paragraph 711a of Order 5100.38A by creating a new subparagraph (2) and by redesignating and revising the current subparagraph (2) as new subparagraphs (3) and (4), all to read as follows:

(2) Costs attributable to removal (e.g., demolition, sale and relocation) of structures from land acquired for noise compatibility, when properly justified, are
allowable under a grant for land acquisition or for reimbursement. If not included in a grant, such costs may be deducted from the proceeds of disposal.

(3) Costs attributable to preparing land for resale may be deducted from the proceeds of disposal, but are not allowable under a grant. Such costs may include, but are not limited to, rezoning, replatting, and upgrading utilities and services.

(4) Costs associated with holding land (e.g., property taxes, utility charges, insurance, financing charges and assessments) are not allowable under a grant, nor may they be deducted from the proceeds of resale.

PGL 90-4.11 Procurement of Equipment - Dick Angle (267-8825). Please substitute the following paragraph for paragraph 803.c in FAA Order 5100.38A.

c. To allow sponsors flexibility in purchasing equipment, they should be permitted to select and specify in their bidding documents equipment features and characteristics when FAA standard specifications for such equipment allow a choice. However, in selecting those features and characteristics, the sponsor must assure the FAA that all specified items are commercially available to at least two qualified manufacturers. In cases where sponsor selections will require items available to only one qualified manufacturer, field personnel must secure from the sponsor sufficient justification for those selected features that create the exclusivity since the resulting procurement would be noncompetitive.

PGL 90-4.12 Letter of Credit - Dick Angle (267-8825). Please discontinue the issuance of new Treasury Financial Communication System - Letters of Credit (TFCS-LOC). We were recently informed that the TFCS-LOC will be discontinued at the end of calendar year 1990. Renewals and drawdowns under current TFCS-LOC's will continue until Treasury discontinues the system. We are working on an alternative procedure which would use the Urban Mass Transit Administration's Automated Clearing House process to continue making payments to the sponsors in a manner similar to the TFCS-LOC. We will provide further guidance once we have an acceptable procedure.

PGL 90-4.13 Acquisition of a Private Airport by a Public Sponsor - Ellis Ohnstad (267-8824). Please renumber Order 5100.38A paragraph 605.d as 605.c and substitute the following paragraph for paragraphs 605.b and 605.c.

b. Structures and Other Improvement. The value of structures and other improvements which would be ineligible for
inclusion in a construction or land acquisition project under the AIP may not be included in the grant amount. This is true whether or not the appraisal is based on the highest and best use as an airport.

Lowell H. Johnson
PGL 85-1
  7 Eligibility - Emergency Operation Centers

PGL 86-6
  1 Airport Planning

PGL 87-2
  2 Airport Planning Documents

PGL 87-4
  1 Special Condition for ILS Grants Awarded under the MLS Transition Policy

PGL 88-1
  5 Noise Compatibility Program Eligibility

PGL 88-4
  2 Revision to OMB Circular A-102
  6 Title Insurance

PGL 88-5
  2 MLS Transition Policy

PGL 88-8
  1 Vertiport Planning

PGL 89-2
  2 Project Support where a Letter of Intent Is Not Planned

PGL 89-3
  1 Controlled Access to Airport Secured Areas
PGL 89-5

.2 AIP Financial Integrity
.5 Software Eligibility under Planning Grants

PGL 89-6

.2 FY-90 Grant Assurances

PGL 89-7

.2 Contractor's Liability Insurance Coverage

PGL 90-1

.2 Replacement of Tanks
.3 Auditing 5 Percent of AIP Grants
.4 Interim Guidance on Lobbying and Influencing Federal Employees

PGL 90-2

.1 Pavement Quality Control

PGL 90-3

.1 Programming AIP ILS's
.2 Reimbursement for Costs to Acquire Land for Noise Compatibility
.3 Acquisition of Land by Private Airport Operators
.4 Instructions on Taking a Specific Funding Year from a Letter of Intent to Grant
.5 Rule on Lobbying and Influencing Federal Employees
.6 Intergovernmental Project Review

PGL 90-4

.1 Index of Current Items
.2 Grant Agreement Form
.3 Auditing 5 Percent of AIP Grants
.4 Procurement Methods
.5 Special Condition for Pavement Quality Control
.6 Special Condition for Navigational Aids
.7 Airport Master Planning Eligibility Under System Plan Projects
.8 Assurances at Preapplication
.9 Special Condition for Projects on Privately Owned, Public Use Airports
.10 Allowable Costs in Conjunction with Acquisition of Noise Land
.11 Procurement of Equipment
.12 Letter of Credit
.13 Acquisition of a Private Airport by a Public Sponsor
The Sponsor's acceptance of this Offer and ratification and adoption of the Project Application incorporated herein shall be evidenced by execution of this instrument by the Sponsor, as hereinafter provided, and this Offer and Acceptance shall comprise a Grant Agreement, as provided by the Act, constituting the contractual obligations and rights of the United States and the Sponsor with respect to the accomplishment of the Project and compliance with the assurances and conditions as provided herein. Such Grant Agreement shall become effective upon the Sponsor's acceptance of this Offer.

United States of America
Federal Aviation Administration

Part II - Acceptance

The Sponsor does hereby ratify and accept all assurances, statements, representations, warranties, covenants, and agreements contained in the Project Application and incorporated materials referred to in the foregoing Offer and does hereby accept this Offer and by such acceptance agrees to comply with all of the terms and conditions in this Offer and in the Project Application.

Executed this day of 19

Name of Sponsor

(SEAL)

By: Sponsor's Designee Office Administrator

Attest: __________________________

Title: __________________________

Certificate of Sponsor's Attorney

I, ______ acting as Attorney for the Sponsor do hereby certify:

That in my opinion the Sponsor is empowered to enter into the foregoing Grant Agreement under the laws of the State of ______. Further, I have examined the foregoing Grant Agreement and the actions taken by said Sponsor relating thereto, and find that the acceptance thereof by said Sponsor and Sponsor's official representative has been duly authorized and that the execution thereof is in all respects due and proper and in accordance with the laws of the said State and the Act. In addition, for grants involving projects to be carried out on property not owned by the Sponsor, there are no legal impediments that will prevent full performance by the Sponsor. Further, it is my opinion that the said Grant Agreement constitutes a legal and binding obligation of the Sponsor in accordance with the terms thereof.

Dated at this day of 19

Signature of Sponsor's Attorney

Attachment 2
MEMORANDUM FOR RAYMOND J. DECARLI
ASSISTANT INSPECTOR GENERAL FOR AUDITING
DEPARTMENT OF TRANSPORTATION

FROM: Jimmie D. Brown
Chief Financial Systems and Policy Branch

SUBJECT: FAA Audit Policy

This is in reply to your follow-up memorandum of April 5, 1990 on an earlier memorandum concerning a recent audit policy proposed by the Federal Aviation Administration (FAA). Please accept my apology for not responding sooner.

You said the FAA was concerned about the lack of control over grant funds recently found at the Department of Housing and Urban Development and the limited management information afforded by single audits. Consequently, the FAA instructed its regional offices to arbitrarily select five percent of their Airport Improvement Program grants for audit each year. The audits would be conducted by the Inspector General's (IG) staff or require the grantees to have an audit made. We agree with you that the FAA approach is contrary to the Single Audit Act.

Discussions with your staff indicate that your IG quality reviews of grantee audits showed that the audits were satisfactory. Therefore, it is not clear to us what the additional auditing contemplated by the FAA will accomplish. Your suggestion that FAA request audit services from the IG on an as needed basis for significant problems is a good one. We would also be amenable to your other suggestion to consider changes to the compliance supplement, if FAA thinks this will help. However, the revision of the compliance supplement is almost complete, so, if FAA does have some changes, we will need to know about them within the next two weeks.

You also mentioned that some other Federal agencies are concerned that single audits do not provide sufficient information. We are aware of these concerns and a memo is on its way to the IGs asking for their advice on ways we can improve the usefulness of single audits.
ACTION: Major Compliance Requirements for Assistance Programs

Manager, Grants-in-Aid Division, APP-500

Office of Acquisition and Grants, M-60

Attached are revised OMB Compliance Requirements and Suggested Audit Procedures for the Airport Improvement Program. We have provided our revised compliance supplement to the OIG and considered their comments. Please have your staff call Dick Angle, 267-8825, if they have any questions.

Lowell H. Johnson

Attachment

APP-510:DANGLE:RLA:78825:05/07/90
cc:APP-500/510R/ANGLE/ARP-11B/OIG
C:\users\audcomsu.ltr
I. PROGRAM OBJECTIVES

To assist sponsors, owners, or operators of public-use airports in the development of a nationwide system of airports adequate to meet the needs of civil aeronautics.

II. PROGRAM PROCEDURES

States, counties, municipalities, U.S. Territories and possessions, and other public agencies, including Indian tribes or Pueblos are eligible for airport development grants if the airport on which the development is required is listed in the National Plan of Integrated Airport Systems (NPIAS). Certain units of local government surrounding airports may be eligible for grants associated with achieving noise compatibility with airports. Private owners of reliever airports or airports enplaning over 2,500 passengers annually also are eligible.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. TYPES OF SERVICES ALLOWED OR UNALLOWED

Program guidance is provided in FAA Order 5100.38, Airport Improvement Program Handbook, and FAA Advisory Circulars in the 150/5100 series. Grants can be made for planning, construction, improving, or repairing a public-use airport or portion thereof consisting of: (1) development of airport master plans, (2) development of airport systems plans, (3) development and carrying out of airport noise compatibility programs, (4) land acquisition, (5) site preparation, (6) construction, alteration, and repair of runways, taxiways, aprons, and roads within airport boundaries, (7) construction and installation of lighting, utilities, navigational aids, and certain offsite work, (8) safety equipment required for certification of a facility, (9) security equipment required of the sponsor by the Secretary of Transportation by rule or regulation for the safety and security of persons and property on the airport, (10) snow removal equipment, (11) non-revenue producing public-use terminal development, (12) aviation related weather reporting equipment, or (13) equipment to measure runway surface friction.

In general, Federal funds cannot be expended for:

1. Passenger automobile parking facilities, buildings to be used as hangars, and portions of terminals
that are revenue producing or not directly related to the safe movement of passengers and baggage at the airport; and

2. Costs incurred prior to execution of the grant, unless such are for land, a necessary cost in formulating a project, or covered by a letter of intent.

3. Costs incurred in connection with raising funds by the sponsor, including interest and premium charges and administrative expenses involved in conducting bonds elections and in selling bonds are not allowable. Interest charges are not allowable, except payment of interest directed by a court in a condemnation proceeding which then becomes part of the condemnation proceeding and allowable.

Examples of items for which FAA funds cannot be expended are:

1. Fuel Farms.

2. Emergency Planning.

3. Landscaping, unless an incidental part of an eligible project.

4. Communication systems except that which is used for safety/security.

5. Training facilities except those which are included in an otherwise eligible project as an integral part of that project and which are of a relatively minor or incidental cost, i.e., less than 10 percent of the project cost. An example of the exception would be a training room included as part of a new CFR facility.

6. Roads, whatever length, exclusively for the purpose of connecting public parking facilities to an access road.

7. Roads serving solely industrial or nonaviation-related areas or facilities.

8. Replacement of Crash/Fire/Rescue (CFR) equipment at airports which are no longer required to maintain Part 139 Certification but which have voluntarily decided to maintain the Part 139 status.

10. Airport surface detection systems (ASDE).

11. Maintenance/service facilities except for that allowed to service required CFR equipment.

12. Office/administrative equipment, including data processing equipment, computers, recorders, etc.

13. Projects for the determination of latitude, longitude, and elevation except as an incidental part of master planning.

14. Title insurance.

**Suggested Audit Procedures**

- Determine whether various "Assurances" required by the grant agreement have been complied with. The assurances are made by the grantee as a condition of approval of the grant application.

- Determine that the classification of costs claimed were authorized by the grant agreement, adequately supported by source documentation, within budgetary limitations, and incurred after the grant execution date, unless otherwise authorized. Costs incurred before the grant execution date would include costs for land, costs of formulation the project, or otherwise included in a letter of intent.

- Determine that the provisions of the Grant Management Common Rule, 49 CFR Part 18 have been complied with.

- Review the program expenses claimed and supporting documentation in detail to determine whether ineligible costs had been included in the amount claimed by the grantee. Review selected Federal-aid claims and determine whether any airport maintenance costs have been included. If so, these costs should be identified as disallowed costs.

- Review selected Federal-aid claims and determine whether any interest and administrative costs related to raising funds have been included. If so, these costs should be identified as disallowed costs.
- Determine whether any title insurance costs have been included in claimed reimbursements. If so, these costs should be identified as disallowed.

B. ELIGIBILITY

The auditor is not expected to make eligibility tests.

C. MATCHING, LEVEL OF EFFORT, AND/OR EARMARKING REQUIREMENTS

Compliance Requirement

The FAA's share of allowable costs for a particular grant in established in the grant agreement.

Suggested Audit Procedures

- Review the grant agreements and determine the grantee's matching requirement.

- Review the financial records and ensure grantee's claimed costs that are reimbursed do not exceed the authorized percentage share of the grants.

- Review the sponsor's system for recording project costs and determine whether the system is capable of segregating non-participating costs.

D. REPORTING REQUIREMENTS

Compliance Requirement

Financial reports must be submitted periodically by the grantee including construction performance reports submitted to monitor progress under construction grants and subgrants. (49 CFR 18.40(c) and 18.41)

Suggested Audit Procedures

The Federal financial reports portion of General Requirements section identifies the Federal financial reporting requirements on Federal programs. In addition, FAA may request construction progress and inspection reports (FAA Form 5370-1) periodically to monitor project progress under construction grants and subgrants.

- Determine whether required financial reports were submitted timely.
- Review the report preparation process, especially construction progress and inspection reports, to ensure that information submitted is accurate and complete.

**Compliance Requirement**

The following financial reports must be submitted periodically for this program:

- Request for Advance or Reimbursement (SF 270)
- Financial Status Report (SF 269)
- Federal Cash Transactions Report (SF 272)

**Suggested Audit Procedures**

- See Federal Financial Reports (VI) in the GENERAL REQUIREMENTS section of this document.

**E. SPECIAL TESTS AND PROVISIONS**

**Compliance Requirement**

Construction cannot begin until after grant acceptance and FAA concurs in the contract award.

**Suggested Audit Procedure**

Review selected contracts and identify dates of necessary approvals. Examine contract execution dates. Review selected contracts and identify the dates when costs were first incurred. Compare these dates to FAA approved dates. Any costs incurred prior to FAA approval should be identified as disallowed costs.

**Compliance Requirement**

Force account work for planning, construction or engineering cannot commence until FAA approves force account work.

**Suggested Audit Procedure**

Identify FAA approval date and verify that all force account costs were incurred after this date. Any costs incurred prior to FAA approval should be identified as disallowed costs. If "force account" construction is involved, review sponsor's force account records to determine that all force account costs are supported with time sheets certified by a supervisor, by
equipment usage reports showing hours and FAA approved
equipment rates, and by invoices for supplies and
materials.

Compliance Requirement

Changes that increase the Federal cost or alter the
physical limits, character, or scope of the work must
be authorized by the FAA.

Suggested Audit Procedures

Review selected contract changes and determine whether
there is an increase in cost or a change in the
physical limits, character, or scope of the work.
determine if FAA approvals were obtained on
construction change orders and extra work orders. Test
check and verify the accuracy of final construction
line item quantities shown on the final "as-built".
This may be accomplished through visits to the project
engineer to evaluate the procedure used to determine
such quantities and/or a verification, if applicable,
of delivery or weigh ticket. Any costs incurred prior
to FAA approval should be identified as disallowed
costs.

Compliance Requirement

A sponsor must have a Construction Management sampling
and testing program to ensure that materials and
workmanship generally conform to approved plans and
specifications.

Suggested Audit Procedure

Obtain an understanding of the sponsor's sampling and
testing program. Determine whether the required
samples and tests were made as frequently as required.
Determine that the proper disposition of failed
materials was taken.

Compliance Requirement

Any time extensions granted by a sponsor affecting
project costs or the amount of liquidated damages must
be approved by FAA.

Suggested Audit Procedure

Determine whether FAA approval was obtained for time
extensions affecting project costs and that, where
applicable, liquidated damages were assessed. If not,
the increased project costs and liquidated damages should be identified as disallowed costs.

Compliance Requirement

Eligible terminal building development is limited to nonrevenue producing public-use areas that are directly related to the movement of passengers and baggage in air carrier and commuter service terminal facilities within the boundaries of the airport. Eligible construction is limited to items of work and for the quantities listed in the grant description and/or special conditions.

Suggested Audit Procedures

Review the special conditions in the grant agreement and identify any development included in the plans and specifications to be excluded from Federal participation and whether any related engineering and administrative costs should be prorated for ineligible development. Review selected Federal-aid claims and determine whether any non-participating costs have been included. If so, these costs should be identified as disallowed costs. Determine whether engineering and administrative costs were properly prorated for associated non-participating construction costs.

Compliance Requirement

Sales tax refunds on project material, if permitted by state or local law, shall be applied for and credited to the project.

Suggested Audit Procedures

Ascertain whether state or local law permits the refunding of sales tax paid on project materials. Determine whether the sponsor has applied for the sales tax refund. Verify that any allowable sales tax refunds, whether taken or not, have been credited to the project to offset project costs.

Compliance Requirement

The purchase price or cost of land, including costs incidental to the acquisition of any property interest necessary for airport purposes including appraisal costs, is allowable provided such costs are necessary and reasonable in amount and net of any credit received.
Suggested Audit Procedure

If improvements existed on the acquired land, determine what credit is due the project from retention, salvage, or rent collected. Determine whether structures on the acquired land were removed or specifically exempted from removal by the FAA. Verify that only land identified as necessary by the Airport Layout Plan has been acquired and/or retained.

Compliance Requirement

All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of Section 18.36 of Title 49 "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments". Contracts may not include reimbursement on a "cost-plus-a-percentage-of-cost" basis.

Suggested Audit Procedure

Review the procurement of the equipment, consultant engineer, planner, appraiser, attorney and/or auditor to determine whether the sponsor/FAA's written procurement procedures were followed. Verify that the request for proposals was properly advertised unless small procurement procedures were used. If any of the consultant engineer's services were on an "actual cost" basis, select and verify a sample of the costs billed to the supporting cost records to ascertain the correctness of the engineer's billings. If the sponsor has a third party audit performed, review the report to determine results and possible impact on the sponsor's records.

Compliance Requirement

The Airport and Airway Improvement Act of 1982, as amended, section 511(a)(12), requires that all revenue generated by the airport, if it is publicly-owned, to be expended for the capital or operating costs of the airport or other local facilities which are owned or operated by the sponsor and directly and substantially related to the actual air transportation of passengers or property.

Suggested Audit Procedure

Review the policy for using airport revenue and the recording of selected revenue use transactions to ensure that no airport revenue has been improperly
used. Identify in the audit report any improperly used revenue.

**Compliance Requirement**

FAA must be assured that the sponsor has properly recorded project costs. An opinion must be expressed by the Single Audit Act Auditor that the sponsor's financial system has resulted in the recording of incurred costs to the proper projects in a manner consistent with the applicable Federal requirements.

**Suggested Audit Procedure**

Review sufficient transactions to test compliance with the applicable Federal requirements to be able to give an opinion as to the proper recording of project costs to this program.