

## **Standard Documentation and Risk-Based Approach to Grant Oversight**

In January 2007, the FAA published a Program Guidance Letter (PGL 07-01) that outlined two new requirements for grant administration under the Airport Improvement Program (AIP):

- Standardized internal documentation requirements, including internal organization of those documents; and
- Established a risk-based approach to grant oversight and documentation requirements.

### **Why the change?**

In FY-2005, an external auditor identified the potential for misuse of AIP funds within the oversight and monitoring phase of the grant management process. The auditors concluded that FAA's lack of an "effective, risk-based approach to oversee and monitor sponsor activities" increased the risk that program funds could be misused, wasted or used fraudulently by non-FAA entities.

The auditor also noted inconsistencies among the regions in the documentation of grant oversight and monitoring of grant expenditures.

### **Does this affect everyone equally?**

The new policy is national, and every airport sponsor nationwide will be assigned a risk category. However, the policy takes into consideration several factors, including:

- The size of the sponsor's operation and its potential impact on the financial integrity of the program.
- The sponsor's affiliation with the local municipality and whether it is a separate authority.
- History of adherence to the FAA's grants policies and procedures.

- Results of single audits and other compliance reviews.

Most existing sponsors (estimated at 95% nationally) will be assigned to the "Nominal" risk category, requiring limited grant oversight and documentation.

Individual airport sponsors that receive any single grant greater than \$20 million, or have a documented record of deviation from appropriate grant management processes and documentation may be assigned to the "Moderate" risk category, requiring a higher level of documentation and oversight.

The third risk rating ("Elevated") may be assigned to a sponsor for any blatant or reckless violation of a grant agreement, or a repeat of the conditions that elevated the sponsor to the "Moderate" level.

Each risk classification requires certain level of grant documentation and oversight that becomes more demanding as the airport sponsor advances from one risk classification to the next.

### **What does all this mean for airport sponsors and consultants?**

The standard documentation requirements are internal to FAA and should not generally impact sponsors or consultants. In some cases, however, the FAA may now require copies of documents that we have previously relied upon sponsors to retain.

The risk designations (and associated documentation requirements) should simply serve as a reminder to all sponsors of their responsibilities as recipients of Federal AIP funds, and the high level of scrutiny that is applied to how those funds are accounted for.

### **Where can I find the actual Program Guidance Letter (PGL)?**

The PGL and its attachments are available online at:

[http://www.faa.gov/airports\\_airtraffic/airports/aip/guidance\\_letters/media/pgl\\_07\\_01.pdf](http://www.faa.gov/airports_airtraffic/airports/aip/guidance_letters/media/pgl_07_01.pdf)