

**REPORT ON THE AIR TRAFFIC
ORGANIZATION'S MANAGEMENT
CONTROLS OVER CREDIT HOURS**

Federal Aviation Administration

Report Number: AV-2006-050

Date Issued: June 21, 2006




Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION**: Report on the Air Traffic
Organization's Management Controls Over
Credit Hours
Federal Aviation Administration
AV-2006-050

Date: June 21, 2006

From: David A. Dobbs 
Assistant Inspector General
for Aviation and Special Program Audits

Reply to
Attn. of: JA-10

To: Federal Aviation Administrator

This is our report on management controls over the earning and use of credit hours within the Air Traffic Organization (ATO). Our objective was to determine if the ATO's management controls over credit hours are sufficient to ensure that credit hours are justified, necessary, and in the best interest of the Government. This review was conducted between June 2005 and May 2006 and included visits to the Federal Aviation Administration's (FAA) Headquarters, 3 ATO Service Areas, and 15 terminal and en route air traffic control facilities. Exhibit A contains details on the scope and methodology we used in conducting this review. Exhibit B lists the facilities we visited. This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards as prescribed by the Comptroller General of the United States.

BACKGROUND

The Office of Personnel Management (OPM) defines credit hours as hours that an employee elects to work with supervisory approval in excess of the employee's basic work requirement under a flexible work schedule. OPM also established Government-wide policies and procedures for credit hours including controls over converting credit hours into pay, time limits on the use of credit hours, and rules governing specifically when credit hours can be earned. Under these controls, full-time employees may carry a maximum of 24 credit hours from one pay period to another.

In 1998, FAA entered into a collective bargaining agreement with the National Air Traffic Controllers Association (NATCA) allowing air traffic controllers to earn credit hours in conjunction with any shift on a recurring basis. However, the agreement also eliminated many of the policies and requirements over the earning and use of credit hours established by OPM, including the 24-hour limit on the amount of credit hours that could be carried from one pay period to the next. In 1999, FAA extended the provisions of the agreement concerning credit hours to non-bargaining air traffic control staff specialists and first-level supervisors as well.

RESULTS IN BRIEF

Since 1998, the number of credit hours earned by ATO employees per year has more than doubled from 503,000 hours in fiscal year (FY) 1998 to nearly 1.2 million hours in FY 2005 or the equivalent of approximately 577 full-time positions. We found that despite the large number of credit hours being earned, the ATO had no assurances that credit hours were justified, necessary, or in the best interest of the Government because the ATO's management controls over the earning and use of credit hours were insufficient. Specifically, the ATO had no national policies or procedures over the earning and use of credit hours, which resulted in a myriad of local credit hour policies—many of which severely limited management's ability to determine if and when credit hours were earned or used.

We also found that as a result of the ATO's departure from OPM's Government-wide policies and procedures in 1998, controllers were able to accrue large balances of unused credit hours. At the end of FY 2005, the balance of unused credit hours was nearly 648,000 hours (or the equivalent of over 311 full-time positions) with an estimated monetary value of over \$36.5 million. We were concerned that the large accrued balance could become a significant liability to the Agency as 73 percent of its controller workforce (or nearly 10,000 controllers) becomes eligible to retire over the next 10 years.

During our review, FAA and NATCA began negotiating a new collective bargaining agreement, which included bargaining over the ATO's policies governing the earning and use of credit hours, but they were unable to reach a collective agreement. After declaring an impasse and submitting all open articles to Congress for a 60-day review (as required by 1996 personnel reform legislation) on June 5, 2006, FAA imposed its last offer for all unresolved issues and unilaterally implemented a new contract with the union. However, FAA plans to phase in the numerous articles in stages, and it will be several months before the terms and conditions of the new contract are fully implemented. Article 34 of the contract reinstates the 24-hour cap on the amount of credit hours that can be earned and carried over from one pay period to another and specifically states that

any credit hour balances in excess of 24 hours will have no cash value when the employee leaves the Agency.

While Article 34 addresses the potential liability of earning and accruing large balances of credit hours, it does not address our concerns for ensuring that future credit hours earned are necessary, justified, and in the best interest of the Government. The numerous local policies we observed allowed controllers to earn credit hours in conjunction with any shift, and these were examples of credit hours earned that in our opinion were neither justified nor necessary.

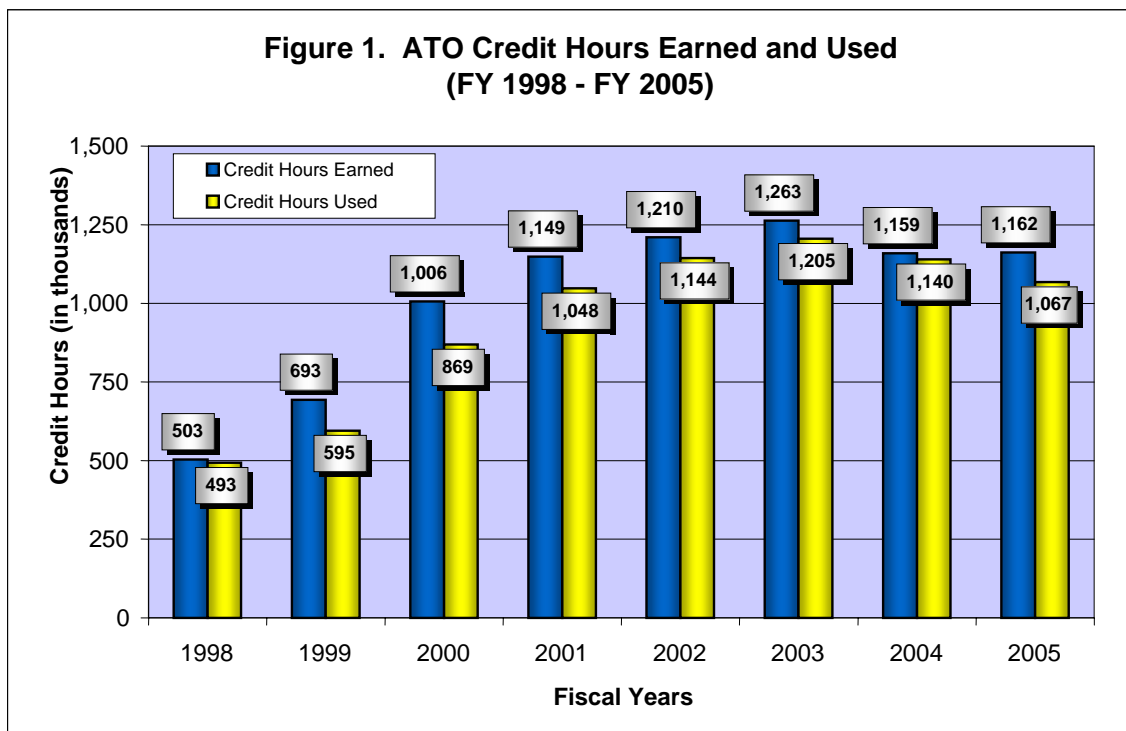
In June 2005, the Vice President for En Route and Oceanic Services issued a memorandum to facility managers requesting that they review all recurring credit hour agreements at their locations for their effectiveness and efficiency as management tools. The memorandum also requested that all facility managers report back their findings and planned actions to resolve inefficient or unproductive agreements by August 2005. A similar memorandum was issued by the Vice President for Terminal Services in August 2005.

Identifying agreements that need to be renegotiated or rescinded and taking the appropriate corrective actions would address our concerns over ensuring that credit hours earned are necessary, justified, and in the best interest of the Government. However, FAA needs to verify that appropriate actions have been taken to address inefficient or unproductive agreements identified by facility managers. Therefore, we recommend that FAA verify the specific actions taken by facility managers to resolve inefficient or unproductive recurring credit hour agreements, orders, or policies identified in response to the requests of the Vice Presidents for En Route and Oceanic Services and Terminal Services.

FINDINGS

Improvements Are Needed in the ATO's Management Controls Over the Earning and Use of Credit Hours

Since 1998, ATO employees have earned over 8.1 million credit hours with an estimated monetary value of nearly \$390 million. During the same time period, ATO employees used over 7.5 million credit hours valued at over \$364 million. As shown in Figure 1, the number of credit hours earned per year more than doubled from 503,000 hours in FY 1998 to nearly 1.2 million hours in FY 2005 or the equivalent of approximately 577 full-time positions.



We found that despite the large number of credit hours being earned, the ATO had no assurances that credit hours were justified, necessary, or in the best interest of the Government because the ATO's management controls over the earning and use of credit hours were insufficient. Specifically, the ATO had no national policies or procedures over the earning and use of credit hours, which resulted in a myriad of local credit hour policies—many of which severely limited management's ability to determine if and when credit hours were earned or used. For instance, we found that 12 of the 15 air traffic control facilities we visited either had agreements with the union or facility orders that allowed controllers to earn credit hours on a recurring basis without prior management approval or regard for the facility's actual operational needs. For example,

- At the Jacksonville En Route Center, managers and union officials had entered into a Memorandum of Understanding that authorized controllers to earn credit hours at the beginning or end of a regular shift, provided that the total operational time on duty did not exceed 10 hours.

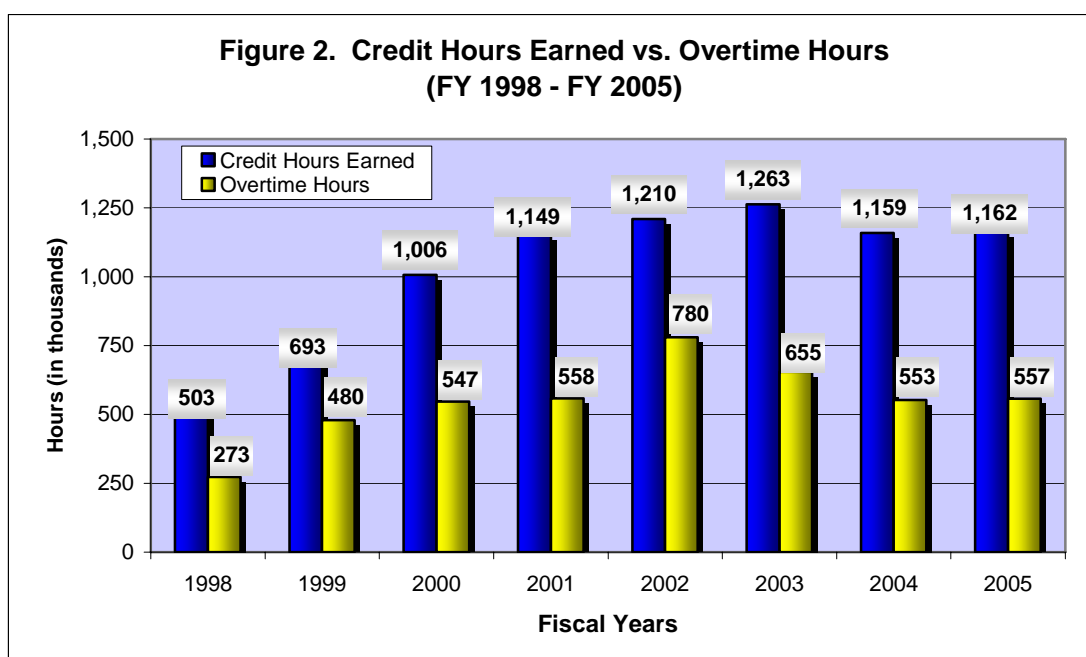
In contrast, at some facilities we visited, we found that managers had made a concerted effort to improve controls over credit hours. For example,

- In July 2004, facility managers at the New York TRACON eliminated prior policies allowing the "blanket approval" of credit hours and instead implemented a new policy requiring that all requests to earn credit hours

must first be approved by an operations manager. Since implementing this policy, credit hour balances at the facility have been reduced by nearly 37 percent.

- At the Potomac TRACON, managers require controllers to work on an operational position for a minimum of 80 percent of the time while they are earning credit hours. Managers at the facility also limit the number of controllers that can earn credit hours to a maximum of one employee per area per day shift and a maximum of two employees per area per evening shift.

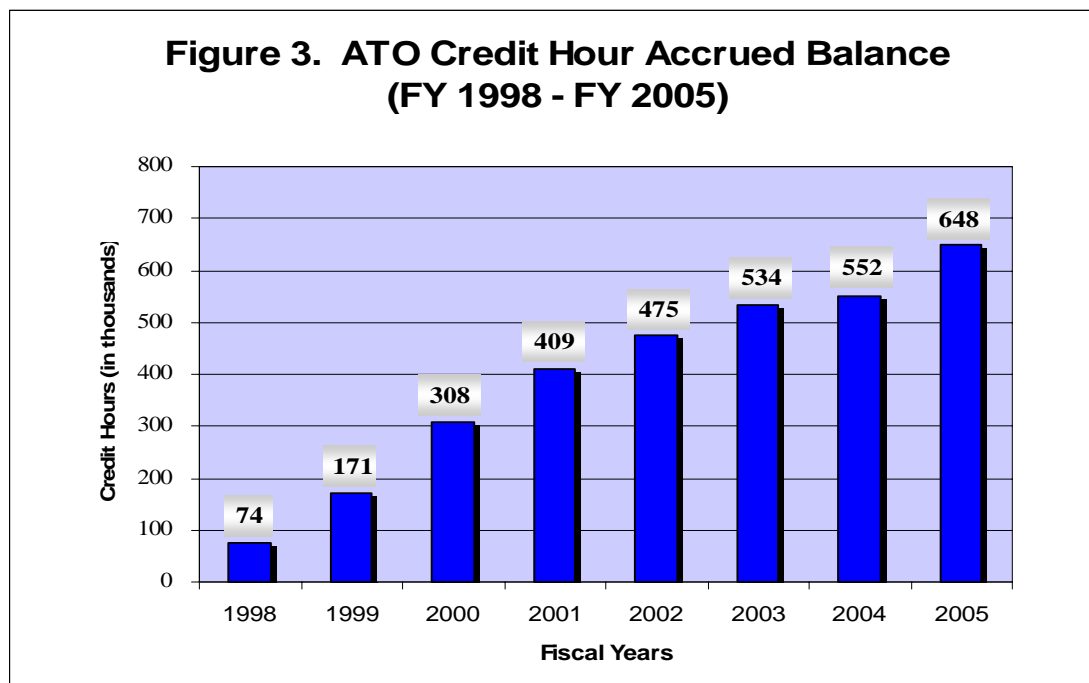
At locations we visited, facility managers told us that they allowed controllers to earn credit hours as a way to reduce overtime costs. However, we found that the increased use of credit hours did not reduce overtime usage. For example, we found that credit hours within the ATO increased from 503,000 earned in FY 1998 to 1,162,000 earned in FY 2005. During the same period, overtime hours were not reduced but actually increased, rising from 273,000 earned in 1998 to 557,000 earned in 2005 (see Figure 2).



ATO Employees Have Accumulated a Significant Balance of Unused Credit Hours

During our review, we also found that as a result of the ATO's departure from OPM's Government-wide policies and procedures in 1998, controllers were able to accrue large balances of unused credit hours. As shown in Figure 3, in FY 1998, ATO employees had about 74,000 hours of unused credit hours (or the

equivalent of approximately 36 full-time positions). However, by the end of FY 2005, the balance of unused credit hours had grown to nearly 648,000 hours (or the equivalent of over 311 full-time positions) with an estimated monetary value of over \$36.5 million.



Our review of credit hours at facilities found numerous instances where individual controllers were carrying significant credit hour balances, some with balances of over 1,000 hours, or the equivalent of nearly 25 weeks of annual leave. We were concerned that these large accrued balances could become a financial liability to the Agency should controllers with balances of unused credit hours leave the Agency and seek payment for those hours. The large accrued balances could become a significant liability to the Agency as 73 percent of its controller workforce (or nearly 10,000 controllers) becomes eligible to retire over the next 10 years.

New Contract Terms and Steps Taken by the ATO During Our Review Could Significantly Improve Controls Over Credit Hours

During our review, FAA and NATCA entered into negotiations for a new collective bargaining agreement, which included bargaining over the ATO's policies governing the earning and use of credit hours, but they were unable to reach a collective agreement. After declaring an impasse and submitting all open articles to Congress for a 60-day review (as required by 1996 personnel reform legislation) on June 5, 2006, FAA imposed its last offer for all unresolved issues and unilaterally implemented a new contract with the union. However, FAA plans

to phase in the numerous articles in stages, and it will be several months before the terms and conditions of the new contract will be fully implemented.

Article 34 of the new contract specifically addresses credit hours. In Article 34, FAA and NATCA agreed to reinstate the 24-hour cap on the amount of credit hours that can be earned and carried over from one pay period to another. The article further states that employees with credit hour balances in excess of 24 hours will be permitted to carry over that balance but will not be eligible to earn credit hours until their balance has been reduced to 24 hours or less. FAA and NATCA also agreed that any credit hour balances in excess of 24 hours will have no cash value when the employee leaves the Agency. Because the new contract will be phased in, we are requesting that FAA provide us with an expected implementation date for Article 34.

While Article 34 addresses the potential liability of allowing employees to earn and accrue large balances of credit hours, it does not address our concerns for ensuring that future credit hours earned are necessary, justified, and in the best interest of the Government. The numerous local policies we observed allowed controllers to earn credit hours in conjunction with any shift, and these were examples of credit hours earned that in our opinion were neither justified nor necessary.

In June 2005, the Vice President for En Route and Oceanic Services issued a memorandum to facility managers requesting that they review all recurring credit hour agreements at their locations for their effectiveness and efficiency as management tools. The memorandum also requested that all facility managers report back their findings and planned actions to resolve inefficient or unproductive agreements by August 2005. A similar memorandum was issued by the Vice President for Terminal Services in August 2005.

Identifying agreements that need to be renegotiated or rescinded and taking the appropriate corrective actions would address our concerns for ensuring that credit hours earned are necessary, justified, and in the best interest of the Government. However, FAA needs to verify that appropriate actions have been taken to address inefficient or unproductive agreements identified by facility managers. Therefore, we recommend that FAA verify the specific actions taken by facility managers to resolve inefficient or unproductive recurring credit hour agreements, orders, or policies identified in response to the requests of the Vice Presidents for En Route and Oceanic Services and Terminal Services.

RECOMMENDATIONS

We recommend that the Federal Aviation Administrator:

1. Verify the specific actions taken by facility managers to resolve inefficient or unproductive recurring credit-hour agreements, orders, or policies identified in response to the requests of the Vice Presidents for En Route and Oceanic Services and Terminal Services.
2. Provide us with a list of the actions taken and a specific date for implementing Article 34 of the new contract.

MANAGEMENT COMMENTS

A copy of this report was coordinated with FAA officials from the ATO En Route and Terminal Services, Human Resources, and Labor Relations divisions. Those officials agreed with the facts as presented in our report and, in general, concurred with our findings and recommendations.

ACTIONS REQUIRED

Within 30 calendar days, please provide us with a list of the specific actions taken by facility managers to resolve inefficient or unproductive recurring credit hour agreements, orders, or policies identified in response to the requests of the Vice Presidents for En Route and Oceanic Services and Terminal Services. In addition, within 10 business days, please provide us with expected implementation date for Article 34.

We appreciate the cooperation and assistance provided by ATO officials and staff. If you have any questions or need further information, please contact me at (202) 366-0500 or Dan Raville, Program Director, at (202) 366-1405.

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cc: FAA Deputy Administrator
ATO Chief Operating Officer
FAA Chief of Staff
Anthony Williams, ABU-100

EXHIBIT A. SCOPE AND METHODOLOGY

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards prescribed by the Comptroller General of the United States and included such tests as we considered necessary to provide reasonable assurance of detecting abuse or illegal acts. We conducted this review between June 2005 and May 2006.

The credit hour data used in this report were extracted from the FAA Integrated Personnel and Payroll System (IPPS). To determine the reliability of these data, we reviewed an independent auditor's report conducted by KPMG on information technology controls over FAA and third party systems and applications (including IPPS). The audit report states that the reportable conditions were not believed to be material weaknesses. As a second check on the data reliability, we compared the data from IPPS with data from the Staffing and Cost Analysis Tool (SCAT) at local facilities. No material discrepancies in data from the two systems were found.

To determine if FAA's management controls over credit hours were effective, we interviewed FAA Headquarters personnel and facility managers concerning their abilities to control when credit hours are earned. We also reviewed policies and practices governing the earning and use of credit hours at the Headquarters, service area, and facility level of the ATO. Finally, we reviewed Memorandums of Understanding, facility orders, and other agreements granting blanket authority for controllers to earn credit hours on a recurring basis.

To determine the magnitude of credit hours earned and used within ATO, we extracted credit hour data from IPPS for the past 8 years. At the facilities we visited, we also extracted credit hour data from SCAT for that facility's employees to determine the amount of credit hour balances that existed. Finally, we compared the trends in the use of overtime hours for the past 8 years to the trends in the earning of credit hours.

To determine whether credit hours were justified, necessary, and in the best interest of the Government, we analyzed the earning and use of credit hours by facility to determine whether the credit hours were earned (1) for work performed, (2) during periods of operational need, or (3) on a recurring basis without management approval.

EXHIBIT B. FACILITIES VISITED

Eastern Terminal Service Area

- Service Area Headquarters
- Atlanta Terminal Radar Approach Control (TRACON)
- New York TRACON
- Potomac TRACON
- Jacksonville Air Traffic Control Tower (ATCT)
- John F. Kennedy ATCT
- LaGuardia ATCT
- Miami ATCT

Eastern En Route Service Area

- Service Area Headquarters
- Atlanta Center
- Hilliard Center
- Miami Center
- New York Center
- Washington Center

Central Terminal Service Area

- Dallas/Fort Worth TRACON
- Dallas/Fort Worth ATCT

Central En Route Service Area

- Service Area Headquarters
- Dallas/Fort Worth Center