

**STATEMENT OF THE
HONORABLE RAY LAHOOD
SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
HEARING ON**

*Metropolitan Washington Airports Authority (MWAA): A Review of The Department of Transportation
Inspector General's Findings and Recommendations*

November 16, 2012

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear before the Committee today to address management issues at the Metropolitan Washington Airports Authority (MWAA).

I want to commend the Department of Transportation's Inspector General (DOT IG) and his staff for the rigorous and detailed November 1 report on a range of ethical, personnel, and procurement failures at MWAA in recent years. Let me be clear, the failures outlined by the IG are unacceptable and have undermined the public's confidence in MWAA and its Board of Directors. The Board must act expeditiously to address the IG's findings in order to regain the public's trust. Fortunately, this report provides a clear and concrete roadmap for MWAA to follow in order to bring its management practices up to the high level expected by the public that it serves.

DOT and the Federal government as a whole have a unique interest in the ethical and transparent management of Reagan and Dulles Airports. These two airports are Federal assets that were run

by the Federal Aviation Administration, until 1986 federal legislation authorized the MWAA compact. At that point, MWAA took over management of the airports and undertook responsibility for capital improvements. DOT entered into a 50-year lease (which was later extended to 80 years) with MWAA after the Commonwealth of Virginia and the District of Columbia enacted the statutes that created the compact.

Not only is MWAA in charge of operating two federally-owned airports, MWAA is also responsible for managing the two phased extension of the Washington Metropolitan Area Transit Authority's (WMATA) service known as the METRO Silver Line. One of the most important transportation projects in the country, the Silver Line will increase transportation options in the Capital region by extending existing Metrorail service to Tysons Corner, Virginia's largest employment center, and to Dulles Airport and beyond. The Department has been a strong supporter of the Silver Line, contributing a significant portion of the financing for Phase I and playing an active role in securing state and local commitments for Phase II. Because of the project's significance to our Region's transportation system and the substantial Federal commitment to the project, the Department has additional cause for strong interest in ensuring the integrity of the entity charged with its design and construction.

In May of this year, the IG issued an interim report highlighting systematic procurement and ethical lapses at the Authority. Following these allegations and other public reports of misconduct, I became convinced that DOT needed to take an active role in ensuring that MWAA operates in a manner that is transparent and accountable to the public. As a result, in late July, I appointed a Federal Accountability Officer to provide MWAA with advice and counsel on improved ethics, procurement, and governance policies. For this important role, I selected Ms. Kimberly Moore, a career attorney in the Department's Office of General Counsel with expertise

in these areas. Ms. Moore reports directly to me on her work related to MWAA. Then in August, I—along with the Governors of Virginia and Maryland and the Mayor of the District of Columbia—sent a letter to MWAA setting forth the specific reforms they needed to institute in order to regain the public’s confidence. A copy of that letter is attached to this testimony.

Since these steps were taken, MWAA has made considerable progress in addressing the issues identified by the DOT IG and in the August letter. In particular, MWAA has implemented new travel policies and new ethics policies for MWAA’s Board of Directors and staff, terminated improper contracts and employment relationships, and undertaken efforts to enhance the transparency of the activities of MWAA’s Board of Directors. Work on revisions to procurement, personnel, governance and accountability policies and procedures, along with intensive assessment and training efforts, is currently underway. We are pleased with the level of cooperation that Ms. Moore has received over the last several months from the MWAA Board and Executive leadership and look forward to continued cooperation. But there is still much more to be accomplished to mitigate the control weaknesses that led to these ethical, personnel and procurement failures.

With that understanding, DOT is fully committed to helping MWAA address the control weaknesses raised in the IG’s report. We are now actively engaged in assisting MWAA’s response to the recommendations found in the DOT IG report. The report provides a specific recommendation for increased DOT oversight of MWAA. We agree with this approach and plan to act quickly to institutionalize the oversight function. We have formally requested that the MWAA Board of Directors provide us with its views on the report as an aspect of our process.

We look forward to working with Congress and MWAA to bring about the changes so clearly called for by this timely report, and we will keep all parties advised of our progress. Thank you for the opportunity to testify today.

ATTACHMENT



August 14, 2012

Mr. Michael A. Curto, Chairman
Members of the Board of Directors
Metropolitan Washington Airports Authority
1 Aviation Circle
Washington, DC 20001

Dear Chairman Curto and Members of the Board of Directors:

The effective and ethical management of the federally-owned Ronald Reagan Washington National Airport and Dulles International Airport is of the highest importance to the Washington Metropolitan region. The MWAA is entrusted with the operation of the two airports under the Metropolitan Washington Airports Act of 1986 and a lease with the Secretary of Transportation. By statute, MWAA is a public body, managing and operating important federal assets, and the Board of Directors is expected to conduct its business with the utmost integrity and with continuous regard for the public that it serves. As such, MWAA has a responsibility to operate in a manner that is transparent and accountable both to the public and to the authorities who appoint the Board. Recent reports, however, have raised serious doubts about the ability of the Board to competently promote, protect and manage the Airports and other transportation activities.

We are gravely concerned with the lack of accountability, transparency, and sound judgment that has come to light regarding the Board's recent activities. In May, the U.S. Department of Transportation's Inspector General issued a draft audit report of MWAA's operations that raised serious concerns about MWAA's policies and procedures in contracting, ethics, and travel, and the lack of transparency and accountability in the activities of MWAA's Board. The Inspector General raised concerns related to nepotism and provided examples of Board members participating in matters in which they have potential conflicts of interest. The report revealed excessive Board spending on air travel, meals, and wine. Overall, the report depicts an organization that conducts much of its business behind closed doors, awards many of its contracts on a sole-source basis, and is in desperate need of reform.

Against this backdrop, we are outraged by ongoing reports describing questionable dealings, including the award of numerous lucrative no-bid contracts to former Board members and employees and the employment of former Board members. It has become clear that MWAA's policies and procedures are deficient and lack the safeguards necessary to ensure the principled oversight of nationally and regionally significant assets. The Board needs to restore the confidence of its appointing officials and the public.

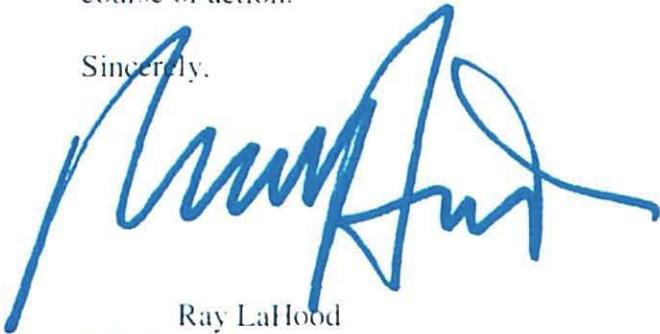
As you know, the Secretary of Transportation has appointed a Federal Accountability Officer to ensure that these concerns are promptly addressed. We expect that you will grant her access to personnel and documents, and inform her in advance of, and provide access to, all Board of Directors meetings, including executive sessions. With her guidance, you must upgrade your

procurement and travel policies and procedures, ethics code, and bylaws, bringing them in line with best Federal practices. In particular, the following reforms must be instituted immediately, in the most appropriate and lawful manner:

- Swiftly overhaul financial, procurement, and human resources policies and adopt policies in line with Federal standards for transparency and fairness in these categories;
- Terminate all existing contracts with former Board members and former employees that were not competitively bid;
- Terminate all existing employment relationships with former Board members;
- Adopt post-employment restrictions for Board members and employees that meet Federal standards;
- Strengthen your ethics code to guard against conflicts of interest and provide annual ethics training to Board members and employees;
- Tighten travel procedures to eliminate wasteful spending. These procedures should be consistent with Federal requirements;
- Implement a transparency program that requires open meetings and the posting of meeting announcements, agendas, and all minutes on the internet. This program must ensure executive sessions are used for limited and proper purposes; and
- Strengthen all oversight, construction planning and management programs to find ways to reduce design, construction, and operating costs of airport facilities and the rail to Dulles project.

The Board must undertake all of these actions and more if it is to regain the trust of the public we all serve. Your candor and wholehearted implementation of these changes is the only acceptable course of action.

Sincerely,



Ray LaHood
U.S. Secretary of Transportation



Robert F. McDonnell
Governor of the Commonwealth of Virginia



Martin O'Malley
Governor of the State of Maryland



Vincent C. Gray
Mayor of the District of Columbia

cc: The Honorable Thomas M. Davis III, Robert Clarke Brown, Richard S. Carter, the Honorable William W. Cobey Jr., Frank M. Conner III, the Honorable H.R. Crawford, Shirley Robinson Hall, Michael L. O'Reilly, Warner H. Session, Todd A. Stottlemeyer, and John E. Potter.