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OFFICE OF THE INSPECTOR GENERAL

DEPARTMENT OF TRANSPORTATION

BEFORE THE HOUSE COMMITTEE ON PUBLIC WORKS
AND TRANSPORTATION

SUBCOMMITTEE ON INVESTIGATIONS AND OVERSIGHT

JUNE 11, 1986

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you today to discuss the Department of Transportation (DOT), Office of the Inspector General (OIG), audit report on the Office of the Secretary's Continuing Fitness Activity. With me today is Bruce Crandlemire of my staff who was the Project Manager on the audit.

The OIG issued a report dated February 24, 1986, on an audit of the airline continuing fitness program as implemented by the Office of the Secretary of Transportation's (OST) Office of Aviation Operations. Our review objective was to determine if OST had established an effective continuing fitness evaluation process. We found that continuing fitness reviews were generally performed on a reactive basis, that is, a carrier's certificate authority was not reviewed for continuing fitness unless significant information had been brought to the attention of program officials through external sources, such as airline customers, competitors, Federal Aviation Administration (FAA), or the news media. The carrier was then requested to submit information about the issue on an informal basis.

We believe that continuing fitness monitoring should be made on a proactive, systematic basis and used to identify potential problem air carriers for closer surveillance. We also believe that the results of such efforts should be better coordinated with FAA.

We focused our analyses on isolating indicators and trends for 16 regional carriers for which the Department had information showing poor financial conditions as well as FAA safety inspection results. The indicators which we believe evidenced weak carrier operations included unfavorable or untimely reporting of financial data, negative FAA inspection reports, National Transportation Safety Board accident reports, and records of enforcement actions against carriers. In 7 of the 16 cases, two or more of the indicators were evident from 6 to 24 months prior to a significant event occurring to the air carrier, such as an accident or declaration of bankruptcy.

We recognize that specific individual financial, managerial, or compliance problems may not alone constitute a basis for initiating formal actions. However, we believe such indicators of air carrier fitness could collectively provide a starting point for identifying trends associated with deficient air carrier operations and isolating such carriers for followup and coordination with FAA inspectors.

While we believe this approach is needed and can be used for monitoring large certificated air carriers, there are about 300 small certificated and commuter air carriers for which no financial data are required to be

submitted to the Department. Unless some method is developed to obtain consistent data on these carriers, OST's ability to conduct meaningful fitness evaluations of commuter air carriers will continue to be limited.

In addition to the need to develop a more systematic method of analyzing air carrier fitness and obtain financial information on the smaller air carriers, we found that there are various offices within OST, FAA, and Research and Special Programs Administration that share some level of responsibility in providing input which can be used to develop an overall air carrier fitness evaluation system. Procedures are needed to assure adequate coordination among these offices. In the past, OST has not always ensured that onsite FAA field inspection results were included in the OST fitness decisionmaking process. As a result, fitness decisions were not always as accurate and timely as they could have been.

In conclusion, we believe that a comprehensive policy needs to be developed and implemented that provides for a proactive air carrier fitness monitoring process. The process should include periodic assessments of air carriers based on established fitness indicators and the development of internal management controls and procedures to ensure that fitness monitoring is consistently performed and documented. Fitness monitoring results should be communicated to FAA for closer surveillance of potential problem air carriers. Likewise, negative FAA safety inspection results should be fully utilized by OST. Questionable air carriers could then be more promptly identified and decisions made as to whether more formal actions are warranted.

OST management officials have indicated general agreement with our findings and recommendations. We received a written response dated May 26, 1986, which outlined the areas in which improvements would be made and subsequently discussed the response with OST officials.

Corrective action is being taken to address the concerns identified in the audit report. For example, financial indicators are now being used on a quarterly basis to identify carriers displaying fitness weaknesses and more detailed analyses are being initiated to evaluate the fitness of these carriers. The results of the analyses are being coordinated with FAA. In addition, we were told that actions are being taken to formalize policies and procedures as well as to document actions relating to the areas covered in our recommendations. As a result of the information provided to us, we are satisfied that the actions taken or to be taken meet the intent of the audit recommendations.

Thank you for the opportunity to address the Subcommittee on the results of our audit efforts. This concludes my statement and I would be pleased to answer any questions on the audit report that you may have at this time.

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