

**Testimony of Michael A. Curto
Chairman, Board of Directors
Metropolitan Washington Airports Authority
before the
Committee on Transportation and Infrastructure
U.S. House of Representatives
November 16, 2012**

Good morning, Mr. Chairman and Members of the Committee, and thank you for the opportunity to discuss the Metropolitan Washington Airports Authority's response to the audit by the Department of Transportation's Office of Inspector General. I am Michael Curto, Chairman of the Airports Authority Board of Directors, a position I assumed at the first of this year, after joining the Board in January of 2011. With me is the Airports Authority's President and CEO, Jack Potter.

As background, the Metropolitan Washington Airports Authority was established in 1987 by the governments of Virginia and the District of Columbia to manage and operate Washington's Ronald Reagan National and Dulles International Airports, which together serve more than 40 million passengers a year. The Airports Authority also operates and maintains the Dulles Airport Access Road and the Dulles Toll Road and manages construction of the Silver Line project, a 23-mile extension of the Washington region's Metrorail system into Loudoun County, Virginia. No taxpayer money is used to operate the toll road, which is funded by toll revenues, or the airports, which are funded through aircraft landing fees, rents and revenues from concessions. The Silver Line construction is funded by a combination of toll-road revenues, airport contributions and federal, state and local government appropriations. The Airports Authority is led by a 17-member board of directors appointed by the Governors of Virginia, Maryland, the Mayor of Washington, D.C., and the President of the United States. Fourteen of those seats are now filled, with the three federal positions currently vacant.

As you know, the Inspector General's audit began 16 months ago, and the Inspector General issued an Interim Report in May, discussing a number of findings and issues that we have been working to address ever since. On November 1st, the Inspector General issued the audit's Final Report, which elaborated on many of the issues identified in the Interim Report. The Final Report discussed additional incidents and concerns and provided a list of recommendations. In the two weeks since the Final Report was issued, we have been working

to make sure we have a complete understanding of the new issues so we can be certain that we address them properly.

Let me emphasize that we take all the issues and concerns cited in these reports very seriously, and we are in the process of responding to all of the Inspector General's recommendations. Our primary focus in responding to the report is rebuilding public trust, assuring accountability and instituting best practices across the Airports Authority organization.

Please be assured that the Board of Directors and senior leadership of the Airports Authority are committed to taking whatever measures are appropriate and necessary to address these very serious matters.

As the Inspector General's Final Report acknowledges, we already have taken a number of corrective actions, and we have other activities under way, in response to issues raised in the Interim Report. We believe we are making good progress, and we are expanding and enhancing those efforts based on the findings and recommendations of the Final Report.

As part of that effort, we have completed several major policy and procedure revisions, and we have a number of other initiatives under way to bring greater transparency, accountability, efficiency, and integrity to the Airports Authority's operations and governance.

The criticisms and issues raised in these reports, and in subsequent media coverage, have been unpleasant to hear and damaging to the Authority's reputation and public trust. They will require time and hard work to address. But we are determined to do what is necessary to address them.

To the extent that many of the criticisms have involved our Board of Directors, it is important to note that we are undergoing the most significant change in Board membership in our history. Due largely to recently enacted legislation, sponsored by Representative Wolf, a number of new positions have been added to the Board. In addition, the service of many longtime Board members has recently ended. As a result of these changes, by very early next year, only one of our 14 Board members will have served longer than three years, only one other will have served longer than two years, and every other member will have served two years or less – with several serving for only a matter of weeks. In addition, there are three current vacancies for federal representatives on the Board to be filled by presidential appointments. We look forward to those federal vacancies being filled.

Therefore, the Airports Authority essentially has a new Board of Directors going forward to help lead our efforts to restore trust, build new levels of accountability and assure best practices across the organization. The officials who made our recent Board appointments were

mindful of the issues facing the organization and the need to address those issues, and the current Board is committed to making swift and substantial improvements.

The Board and senior management also are committed to strong oversight and internal controls and to making certain that all of the Airports Authority's policies and operations reflect the best practices of government and industry. We will use this Inspector General's audit as a tool in expanding and enhancing our work to increase transparency, strengthen governance and build renewed public trust.

I would like to recap the key initiatives we are undertaking:

- In February, the Board approved changes to the Bylaws to increase transparency. The Bylaws were further amended in October to incorporate legislative changes increasing the size of the Board to 17 members and eliminating Board service beyond the appointed term limit.
- In July, we revised our Freedom of Information Policy, clarifying how the public can obtain information from the Airports Authority and designating a Freedom of Information Officer. This also helps increase transparency.
- In September, we approved a new Travel Policy with detailed procedures for pre-authorization of travel and clear guidelines and daily limits for meals and expenses.
- In September, we approved a new Code of Ethics for employees and Directors and established requirements for annual ethics training. This new policy bars Board members from being employed or having contracts with the Airports Authority during, and for two years following, their terms. It also expands the definition of family to address nepotism concerns, strengthens financial disclosure requirements, tightens rules designed to guard against conflicts of interest, and clarifies rules regarding gifts.
- In October, we named a formal Ethics Officer to provide oversight. In addition, alleged ethics violations involving Board members will be referred to a Board Ethics Committee, which will report its findings to the full Board of Directors. We have scheduled 40 ethics training sessions to make sure everyone at the Airports Authority understands and follows the new ethics policy. The training sessions are mandatory for all employees, and more than half of all our employees already have received the training.
- We are revising our contracting manual and other procedures to reflect best practices, and promote fair and open competition. The manual is a lengthy and highly technical document because of the wide variety of complex contracts needed to operate the airports and the Dulles Toll Road, and to construct the Silver Line and other capital projects. Our procurement and finance team is hard at work reviewing and revising the manual, which covers all aspects of awarding and managing contracts. Our goal is to have clear and

efficient guidelines that optimize competition. We expect to have a new manual ready for the Board's approval in the coming months.

- We have suspended the use of categorical exceptions to full and open competition for the procurement of legal, financial, audit and legislative professional services.
- We have terminated all non-competed contracts involving former Board members.
- We have created an Internal Control Group to establish systems and track actions necessary to enforce policies and assure accountability in contracting, as well as other areas.
- We are tightening up our hiring, compensation and benefits structures, to assure that they are consistent with our goal of best practices. We also are hiring outside experts to evaluate our human resources program – including compensation and hiring practices.
- The CEO has temporarily taken over day-to-day management of the Human Resources department during the review of personnel practices, following the recent retirement of the Human Resources vice president.
- We have ended employment relationships with former Board members.
- We have revised the management guidance for our Student Employment Program.
- Our airport police department is pursuing additional regulatory authority for conducting criminal background checks to aid our personnel process.

From our early review of the Final Report, it appears that some of the issues and incidents cited are one-time or isolated events that were detected and dealt with when they occurred during the five-year period covered by the audit. But for everything covered in the report, we want to be sure we have a proper understanding of all the details and circumstances. The Inspector General has agreed to provide more specific details to us where needed. We look forward to working with the Inspector General's office to learn more about the findings and ensure that we fully understand all the facts and circumstances. This will help us be sure that we take all appropriate actions to rectify problems and improve procedures.

The Authority's senior management team has launched an organization-wide effort to respond to each of the 12 recommendations in the Inspector General's Final Report. We have established specific tasks and timelines to meet each part of each recommendation over the coming weeks and months, and to produce a formal response to the recommendations, which we plan to submit to the Secretary of Transportation by December 1st.

In addition to acting on the findings and recommendations of the Inspector General's report, we also are responding to a separate set of recommendations we received this summer from U.S. Secretary of Transportation Ray LaHood, Governor Robert McDonnell of Virginia, Governor Martin O'Malley of Maryland and Mayor Vincent Gray of the District of Columbia.

We thank these officials for their leadership and support and for their interest in helping us make the Airports Authority a better organization.

We have sent these officials a detailed letter outlining the actions we are taking in response to their recommendations. This letter, which we are submitting for the record and attaching to this testimony, provides a comprehensive description of the numerous actions we are taking to respond to each item they identified in their August letter to the Airports Authority's Board. The activities described in our letter also address many of the issues and concerns that are raised in the Inspector General's audit.

In responding to these issues, we have worked closely with the Federal Accountability Officer, appointed by Secretary LaHood, who has provided the perspective of the Secretary as we continue to review and revamp our policies and procedures. She has provided excellent counsel and guidance on a number of difficult and complex issues.

I believe it is important to note that throughout the 16 months of the Inspector General's review, the Airports Authority's employees have remained focused on customer service and on our core missions of managing Reagan National and Dulles International Airports and the Dulles Toll Road, and construction of the Silver Line. All those enterprises are operating well, which is a testament to the talent and dedication of the Airports Authority staff. I thank and commend them for their good work.

Clearly, we have much work ahead of us in gathering additional facts and understanding the context of the Inspector General's findings. We appreciate all the important contributions that so many people have made to this effort. We thank the auditors in the Inspector General's office for their months of diligent work. And we thank Representative Wolf, Secretary LaHood, the Governors and the Mayor for their leadership.

I want to emphasize again that we take this report very seriously, and we will respond to all of its recommendations. And I want to be very clear about the firm commitment of the Board of Directors and senior management to doing whatever is necessary to address the issues raised in this report. Our key focus will continue to be on rebuilding public trust, assuring accountability and instituting best practices.

We believe the steps we have taken to date, the initiatives we are currently pursuing, and the work we plan in the days and months ahead, will help build renewed confidence in our organization's integrity and demonstrate the highest regard for the public we serve. We are determined to make the Airports Authority a stronger and more efficient organization that is better equipped to serve the traveling public and our regional economy.

And now, Mr. Chairman, I would be pleased to answer your questions.

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY



Board of Directors

November 14, 2012

Michael A. Curto *
Chairman

Honorable Thomas M. Davis III °
Vice Chairman

Earl Adams, Jr. *

Richard S. Carter *

Lynn Chapman °

Frank M. Conner III °

Honorable H.R. Crawford +

Shirley Robinson Hall +

Barbara Lang +

Elaine McConnell °

Caren Merrick °

Michael L. O'Reilly °

Warner H. Session +

Todd A. Stottlemeyer °

Appointee of:

* United States

+ District of Columbia

x Maryland

° Virginia

The Honorable Ray LaHood
Office of the Secretary
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, DC 20590

The Honorable Robert F McDonnell
Office of the Governor
Patrick Henry Building, 3rd Floor
111 East Broad Street
Richmond, VA 23219

The Honorable Vincent C. Gray
Executive Office of the Mayor
1350 Pennsylvania Avenue, NW
Washington, DC 20004

The Honorable Martin O'Malley
Office of the Governor
100 State Circle
Annapolis, MD 21401

Dear Secretary LaHood, Mayor Gray, Governor McDonnell and Governor O'Malley:

On behalf of the Airports Authority's Board of Directors, I want to update you on actions that have been taken and those that are underway in response to the issues expressed in your joint letter of August 4, 2012, and to the reports issued by the Department of Transportation Inspector General. The leadership of the Airports Authority understands the concerns you have expressed, takes them seriously, and intends to fully address and resolve them.

Following the issuance of the DOT Inspector General's interim report letter last May, the Airports Authority undertook a number of actions in the areas of governance, transparency, ethics, procurement and travel. Many of these actions are responsive to the issues presented in your August 4 letter. The Inspector General's final report, issued on November 1, contains a series of 12 recommendations that the Airports Authority intends to fully implement. Some of those recommendations call for actions we have already taken in response to the May interim letter; others call for additional action on our part. We are determined to implement the recommendations of the Inspector General as quickly as possible. We also are determined to do whatever is necessary to restore your confidence in the Airports Authority and in our ability to operate the important public transportation assets that have been entrusted to us.

Over the past 25 years, the Airports Authority has successfully financed and developed significant improvements to Ronald Reagan National and Dulles International Airports, expanding the availability and quality of air service in the greater Washington region and significantly contributing to the regional economy. I believe that sound judgment, effective management and organizational integrity were required for this success, and that these values continue to guide the Authority's work today. It is clear, however, that past actions and decisions, as described in the Inspector General's interim and final reports, have cast doubt upon the transparency, fairness and integrity of the Authority's administration of valuable regional assets, and have served to overshadow the quality service that Authority employees provide each day to the region's travelers. It is equally clear that the Authority must act, meaningfully and convincingly, to remedy the organizational deficiencies suggested by those actions and decisions in order to regain your trust, as well as that of the public.

In your August 4 letter, you identified eight areas in which you expected the Authority to institute "reforms . . . immediately in the most appropriate and lawful manner." I want to report on the actions we have taken in each of these areas, and to identify the additional actions we intend to take in the near future. I would note that, in taking these actions, we have worked – and will continue to work – closely with Ms. Kimberly Moore, the Federal Accountability Officer appointed by Secretary LaHood, who has provided significant guidance and assistance.

Each of the reform areas identified in your letter is stated below and, following its identification, a "status" is provided of the actions we have taken, and others we are in the process of taking, to respond to your issues of concern and to the recommendations made in the Inspector General's final report (referred to below as "IG Recommendations").

A. *"Swiftly overhaul financial, procurement, and human resources policies and adopt policies in line with Federal standards for transparency and fairness in these categories."*

Status

1. In the area of Procurement, the following actions have been taken or are in process:
 - a. The use of categorical exceptions to "full and open competition" has been suspended for professional services,¹ and amendments to the Authority's Contracting Manual that minimize future use of such exceptions are scheduled to be presented to the Board of Directors in the first quarter of 2013. (See IG Recommendation 2(b))
 - b. Through reorganization, the Authority's procurement function has been transferred to the Office of Finance.

¹ A copy of the memorandum from the Authority's President and CEO imposing this suspension is enclosed as Enclosure A.

- c. Recruitment is underway for a new director of the Authority's procurement function, to replace the prior director who has retired.
- d. The Authority is in the process of taking the steps necessary to implement the following "procurement-related" recommendations of the Inspector General.² Our intent is to have much of this work completed in the first quarter of 2013, and the remainder by June 30, 2013.
 - i. To address IG Recommendation 1 regarding the preparation of quarterly procurement acquisition reports, this first of these reports will be produced and delivered to DOT in April 2013; the report will cover the first quarter of 2013, will address contracts awarded and contract selections approved by the Board during the quarter, and will identify planned procurements for the following quarter. This report will thereafter be produced on a quarterly basis.
 - ii. To address IG Recommendation 2 regarding revisions to the Authority's Contracting Manual to reflect Federal and other best practices in certain identified areas, work has begun on these revisions, and formal amendments to the Contracting Manual that address the areas identified in this recommendation will be presented to the Board of Directors during the first quarter of 2013.
 - iii. To address IG Recommendation 3 regarding the need to clarify and enforce certain identified policies and procedures currently in the Contracting Manual, work is underway on the preparation of amendments to the Manual that will clarify, and will address the enforcement of, these policies; these amendments will be presented to the Board during the first quarter of 2013.
 - iv. To address IG Recommendation 4 regarding an assessment of the Authority's procurement workforce and implementation of an appropriate procurement certification program, an external consultant is being retained to conduct this assessment and work is underway to prepare the recommended certification program. The workforce assessment will be completed and the certification program will be defined by June 30, 2013.
 - v. Finally, to address IG Recommendation 5 regarding the establishment of policies and procedures for procurement integrity, amendments to the Contracting Manual are in preparation that will formally create these policies; the amendments will be presented to the Board in the first quarter of 2013. This IG Recommendation may also require amendments to the Authority's codes of ethics for Board members and employees (discussed below); if it is determined that such amendments are needed, they also will be presented to the Board during the first quarter of next year.

² The Recommendations in the Inspector General's final report (pages 38-41) are enclosed as Enclosure B.

2. In the area of Human Resources, the following actions have been taken or are in process:
 - a. Recruitment is underway for a new Vice President for the Office of Human Resources to replace the prior Vice President who has retired. In the interim, the Authority's President and CEO has assumed day-to-day management of the Office.
 - b. To address IG Recommendation 10(a) regarding policies addressing competitive hiring and compensation policy and procedure, policy revisions are underway (i) to clarify that, with possible narrow exceptions, all newly created positions, vacant positions, and "promotional opportunity" open positions will be competitively filled, (ii) to eliminate job descriptions with "unclassified duties," and (iii) to require that all positions have a specific job description with an associated salary range. These revisions will be completed in the first quarter of 2013. In addition, a number of actions in line with these policies have already been taken.
 - c. To address IG Recommendation 10(b) regarding the student employment program, management guidance for the program has been developed and distributed to all Authority offices; the guidance ensures that student candidates and current student employees meet and maintain program eligibility requirements, and requires that all students complete background investigations before being hired.
 - d. To address IG Recommendation 10(c) regarding background checks on new employees, steps have been taken to improve communication and coordination between the Office of Human Resources and the Office of Public Safety, including providing certain Public Safety employees access to personnel files. In addition, to improve Authority background investigations, on October 17, the Board of Directors authorized staff to begin the Authority's process to adopt a new regulation that will enable the Authority's Police Department to obtain criminal history record information for new employees from the FBI, through the Virginia state police. It is anticipated that this regulation will be adopted by the Board within the next six weeks.
 - e. To address IG Recommendation 10(d) regarding justifications to override no-hire recommendations based upon background investigations, new Authority policy will provide that decisions regarding the suitability of individuals based on background investigations will be made by the Vice President for the Office of Public Safety, and that appeals from such decisions may be made by to the President and CEO.
 - f. To address IG Recommendation 10(e) regarding the establishment of policies for hiring bonuses and cash awards, policies are now being developed in this area. Once finalized, which will be during the first quarter of 2013, these policies will, among other things, require the approval of the President and CEO for any hiring bonus and will establish a set of new, more stringent criteria for cash awards.

g. Finally, to address IG Recommendation 10(f) regarding the timely verification of employee eligibility for compensation and benefits, procedures providing for such verification will be adopted and implemented during the first quarter of 2013. In addition, these procedures will ensure that benefits will not be authorized or provided following the termination of an employee's employment for reasons other than retirement.

3. In the area Finance, the following actions have been taken or are in process:³

a. An Internal Controls and Compliance Division has been established in the Office of Finance under the direction of the Chief Financial Officer. This division is responsible for monitoring and testing Authority-wide remediation of the Inspector General's findings, for monitoring the status of all audit findings, for periodically validating operational compliance with established Authority policies and processes, and, where lack of compliance or adequate internal controls are found, for providing the action required to bring about such compliance or sufficient controls.

B. *"Terminate all existing contracts with former Board members and former employees that were not competitively bid."*

Status

1. All contracts with former Board members have been terminated.
2. The one contract with a former employee has been terminated.
3. In addition, the new code of ethics for members of the Board of Directors,⁴ which was adopted by the Board on September 19, prohibits any Board member and any member of his or her family, for a two-year period following the member's departure from the Board, from having any contractual relationship with the Authority. The new code extends this two-year contract prohibition to any business entity that is under the control of a former Board member.
4. The new Board ethics code also prohibits any member of the Board and any member of his or her family, as well as any business entity that is controlled by the member, from having a contract with the Authority during the member's term on the Board.

³ Other than addressing issues relating to procurement (see para. A(1)(d) above), the IG Recommendations do not directly address the Authority's "finance" function or activities of the Office of Finance.

⁴ The revised ethics code for the Board of Directors is enclosed as Enclosure C.

C. *"Terminate all existing employment relationships with former Board members."*

Status

1. The single employment contract with a former Board member has been terminated.
2. In addition, the new code of ethics for Board members prohibits any Board member and any member of his or her family, for a two-year period following the member's departure from the Board, from being employed by the Authority.
3. The new Board ethics code also prohibits any member of the Board and any member of his or her family from being employed by the Authority during the member's term on the Board.

D. *"Adopt post-employment restrictions for Board members and employees that meet Federal standards."*

Status

1. In addition to adopting a new ethics code for the Board of Directors, on September 19 the Authority adopted a new code of ethics for employees.⁵ The Authority worked closely with Ms. Kimberly Moore, the appointed Federal Accountability Officer, in developing both of these new codes. These new codes places restrictions on Board members and employees following their departure from the Authority which are consistent with Federal standards. Prior Authority codes of ethics did not impose any such restrictions on Board members or employees. The provisions of these new codes and the actions being taken to implement the codes, which are described below, address IG Recommendations 6 through 9.
2. The ethics code for Board members, in addition to the two-year contract and employment prohibitions described above, bars members, for a two-year period after they leave the Board, from knowingly making any communication to or appearance before the Board or any Authority officer or employee, on behalf of a person, in connection with a matter that the member knew or should have known was pending during his or her term on the Board. This provision is consistent with Federal standards.
3. The ethics code for employees places a number of post-employment restrictions on employees.
 - a. On a *permanent* basis, the code bars employees from knowingly making any communication to or appearance before the Board of Directors or any

⁵ The revised ethics code for the Authority employees is enclosed as Enclosure D.

Authority officer or employee, on behalf of a person, in connection with a matter in which the employee “participated personally and substantially as an Authority employee.”

- b. For a *two-year period* after leaving the Authority, the code prohibits employees from knowingly making a communication to or appearance before the Board or any Authority officer or employee, on behalf of a person, in connection with a matter which was “pending within an area of the Authority for which the former employee was responsible” at any time during the year before the employee’s departure from the Authority.
- c. For a *one-year period* after departing the Authority, the code provides an overall “cooling off period” applicable to employees who are required to file annual financial disclosure statements; those employees are barred, for a year following the termination of their Authority employment, from knowingly making any communication to or appearance before the Board or any Authority officer or employee on behalf of any person, regardless of the nature of the particular matter.

E. *“Strengthen your ethics code to guard against conflicts of interests and provide annual ethics training to Board members and employees.”*

Status

- 1. As noted, on September 19 the Authority adopted two new codes of ethics, one applicable to the Board of Directors, the other to Authority employees. With minor exceptions, the two codes contain parallel provisions.
- 2. As to conflicts of interests, the codes’ conflicts provisions – but particularly those in the Board code – have been significantly strengthened. For example:
 - a. The definition of “conflict of interests” has been expanded to encompass not just “businesses doing or seeking to do business with the Authority,” but any business or real property that “may realize a reasonably foreseeable benefit or detriment as a result of an Authority action or decision”;
 - b. Various thresholds defining the level of financial interest in a business or property that may give rise to a conflict of interests have been lowered to parallel levels in Federal conflicts rules; and
 - c. A “recusal” procedure that is to be followed by Board members with a conflict of interests has been defined, which includes public announcement of the recusal, execution of a recusal agreement, and certain steps to withdraw from participating in the “conflicted” matter at a Board or committee meeting.
- 3. In addition to strengthening the “conflict of interests” area, the new ethics codes have clarified and strengthened other important areas. For instance:
 - a. The codes’ provisions relating to the *solicitation and acceptance of gifts* have been significantly rewritten and tightened, and particular emphasis on

these provisions has been given during current ethics training (*see* para. 4 below);

- b. The codes' approach to *financial disclosures* has been substantially altered and revised to parallel the approach taken in the Federal "disclosure" area. Under the new codes, disclosures will not be limited to those "businesses doing or seeking to do business" with the Authority in which a Board member or employee has a financial interest, but will extend to *any business* in which a financial interest is held. In addition, the disclosures will now include information relating to gifts received, employment positions occupied, and outside positions held during the prior year.⁶ (The actions in this subpara. (b) address IG Recommendation 6(b));
- c. The Board code has been revised to specifically address the *use of one's position* to benefit relatives or friends, and the use of *confidential information* (addressing IG Recommendation 6(a)) ;
- d. The Board code also has been revised to provide, for the first time, provisions directed at the *enforcement* of the code's substantive rules. The code establishes an Ethics Review Committee of the Board and a procedure for the review of and action on allegations of member conduct in violation of the code (*see* subpara. (e)(vi) below); and
- e. Both codes provide for the appointment of an Ethics Officer for the Authority and define the responsibilities of the officer. The appointment of an Ethics Officer (an attorney in the Office of General Counsel) was approved by the Board on October 17. Her responsibilities include:
 - i. ensuring the timely filing of annual financial disclosure statements by Board members and all employees required to file, reviewing such filings to ensure completeness, and using information in the filings to alert members and employees of potential conflicts of interests (addressing IG Recommendations 6(b) and 7);
 - ii. discussing potential conflicts of interests with Board members and employees, and providing for the execution of recusal agreements when appropriate (*see* IG Recommendation 7);
 - iii. reviewing the second jobs of Authority employees for potential conflicts of interests and approving them when no conflict is presented;
 - iv. reviewing Board member and employee inquiries regarding "widely attended gatherings" and approving the acceptance of invitations to such events when the codes' standards are met;
 - v. advising members and employees generally as to the codes' applicability to situations they describe;
 - vi. acting as staff to the Board's Ethics Review Committee, undertaking a preliminary investigation of alleged code violations by a Board member, and making recommendations based on the investigation to the committee; and

⁶ A copy of a *draft* financial disclosure form for Board members is enclosed as Enclosure E.

- vii. arranging for the provision of ethics training on an annual basis for Board members and employees, as well as new members and employees soon after their arrival at the Authority.

In addition, the Ethics Officer is developing internal forms and protocols to be used in implementing and overseeing compliance with the new ethics codes (addressing part of IG Recommendations 6, 7 and 9), including annual conflict of interests certifications by contracting officers and their representatives (addressing IG Recommendation 6(c)).

- 4. With respect to ethics training, the new codes require ethics training for new Board members and employees within 30 days of their arrival at the Authority and thereafter on an annual basis. Since the adoption of the codes, and to address IG Recommendations 8(a) and 8(b), an ethics training program for Authority employees has been developed which calls for over 35 training sessions that will reach all 1,425 employees of the Authority. To date, 26 of these sessions, involving 727 employees, have been conducted. In addition, to date ten Board members have received training on the new Board ethics code, and the remaining members are scheduled for a November 16 training session. Annual ethics training will hereafter be provided to employees and Board members. It is envisioned that every three years this training will be delivered in a "live" meeting format, like the training now being conducted, and that, in the intervening two years, an on-line training program will be provided.

- F. *"Tighten travel procedures to eliminate wasteful spending. These procedures should be consistent with Federal requirements."*

Status

- 1. On September 5, the Board adopted a new travel policy which applies to both Board members and Authority employees.⁷ The Authority worked closely with the Accountability Officer in developing this policy and in working to ensure it is in line with relevant Federal requirements and industry best practices.
- 2. The new travel policy is applicable to both employees and the Board of Directors, and places a number of controls upon Board member travel that heretofore did not exist or existed in different form. For example, it:
 - a. requires prior approval of all non-recurring travel from the Board chairman;
 - b. places a daily cap of \$71.00 for meals and incidental expenses, and requires detailed receipts for all expenditures;
 - c. defines allowable expenditures that may be reimbursed;

⁷ This new travel policy is enclosed as Enclosure F.

- d. bars any reimbursement for alcohol-related expenses;
 - e. requires all air travel be via economy class, except for travel outside the continental United States which may be an upgrade to the next higher class (if this upgrade is to first class, prior approval is required);
 - f. places restrictions on lodging, limiting it to conference sponsored hotels or other reasonably priced lodging (to address IG Recommendation 11, the Authority is working with the Accountability Officer to define additional limitations on "reasonable lodging expenses");
 - g. requires all expense reimbursement requests to be approved by the Board chairman; and
 - h. requires an annual audit of travel expenses to be provided to a committee of the Board and the President and CEO.
3. In addition to the revised Travel Policy, to address IG Recommendation 12(b) regarding guidelines for entertainment business expenses, a revised business expense reimbursement policy, applicable to both Authority employees and the Board of Directors, is being prepared and is expected to be finalized by the end of the year.
- G. *"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."*

Status

1. On February 15, the Board adopted revisions to its Bylaws designed to improve the transparency of Board operations and meetings.⁸ These revisions:
- a. provide for the regular posting on the Authority's website of information relating to the Board of Directors and meetings of the Board and its committees, including the following: (i) the dates, times and agendas of the next scheduled Board and committee meetings; (ii) the non-privileged information and recommendation papers prepared for the Board and committees in connection with the meetings' agenda items; (iii) the approved minutes of Board meetings; and (iv) the schedule of all Board and committee meetings for the upcoming six months;
 - b. direct the Board Secretary to ensure that the public is informed of the date, time and location of upcoming Board and committee meetings, and has access to the records of such meetings; and
 - c. clarify the circumstances in which the Board and its committees may move into executive or closed session.

⁸ The revised bylaws are enclosed as Enclosure G

Since February 15, the materials described above have been regularly posted to the Authority's website.

2. On July 18, the Board amended the Authority's Freedom of Information Policy.⁹ The amendments:

- a. establish a Freedom of Information Officer for the Authority;
- b. define how the public may request records from the Authority and the responsibility of Authority officers in responding to such requests;
- c. provided an appeal from a decision by the FOI Officer to withhold records to the chairman of the Board's Legal Committee;¹⁰ and
- d. identify a broad range of Authority documents that are to be posted on the Authority's website (documents, e.g., relating to the Board, to Authority finances, to Authority contract opportunities), all of which have been placed on the website.

3. In addition, today the Board has revised its policy regarding meetings of the Board's Audit Committee. Prior to this revision, Audit Committee meetings have been held largely in closed session. Under today's revision, meetings of the Audit Committee will be held in open session except in four specific circumstances: when considering audits involving safety or security matters, proprietary and privacy information, matters related to actual or potential litigation, and information that the professional standards governing financial statement auditors require to be addressed in closed session. This policy revision, which addresses IG Recommendation 12(a), will be added to the Authority's bylaws in early 2013.

- H. *"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."*¹¹

Status

1. The Airports Authority is committed to undertaking capital construction projects in accordance with industry best practices and in a collaborative, efficient and cost effective manner. In developing plans for all large capital projects, the Authority will continue to hold formal consultations with relevant stakeholders and partners (e.g., the airlines, our Metrorail project funding partners, the Dulles Corridor Advisory Committee, the Metrorail project's Principals Coordinating Committee established under the project partners' 2011 Memorandum of

⁹ The revised Freedom of Information Policy is enclosed as Enclosure H.

¹⁰ IG Recommendation 12(c) calls for an external review of FOI denials. The Authority is reviewing its authority to provide such reviews.

¹¹ The IG Recommendations do not directly address the matters addressed in this "reform" area.

Agreement) to gain input on project scope, budget, and procurement methodology. In addition, during the life of construction projects, the Authority will continue to regularly share construction progress and cost reports with project partners and the public. Such information is regularly presented during Board of Directors meetings, and is posted on the Authority's website.


2. Financial planning for major capital projects will continue to be based on best practices. Engineering cost estimates will be independently developed and, for large, complex projects, those estimates will be independently evaluated through third party "value engineering" reviews. The Phase 2 Metrorail project budget has been developed using these methodologies.
3. Design and construction services will be competitively competed to assure best value is obtained. The Phase 2 Metrorail project is currently out to bid utilizing a two-step procurement methodology approved by the project partners and FTA that is designed to maximize competition and achieve a competition-driven fixed price. Aviation projects scheduled for 2013 will be procured using the most cost effective construction and procurement methods permitted by FAA grant assurances.
4. Finally, the Airports Authority will continue to utilize independent construction oversight and management support services to assist Authority staff in managing construction projects. These third party services have been utilized for years to assist in the management of constructions projects at both airports; they also have been successfully used during Phase 1 of the Metrorail project. The contract for program management support services for Phase 2 of the Metrorail project is currently being competed through open competition. The scope of the existing aviation oversight and management support services contract is being revised in light of reduced construction activities at the airports and in order to appropriately align the services needed with the scale of the airports' capital program.

I apologize for the length of this letter. However, I wanted to be sure that the Airports Authority's response to your August 4 letter contains and conveys the "candor and wholehearted implementation of . . . changes" that you seek. I also wanted our response to demonstrate that the Authority's Board of Directors is fully committed to working with you and our other regional partners in the months ahead to address your concerns and regain your confidence.

The Honorable Ray LaHood
November 14, 2012
Page 13

Finally, I note that, in a November 9, 2012, Deputy Secretary of Transportation John Porcari has requested that the Airports Authority provide a "point-by-point" response to each of the recommendations contained in the Inspector General's final report. We will, of course, provide this response within the period identified by the Deputy Secretary.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael A. Curto". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

Michael A. Curto
Chairman

Enclosures