
Office of the Inspector General

Audit Report

Pilot Examiner Program

Federal Aviation Administration

Report Number: R2-FA-7-001

Date Issued: October 22, 1996





U.S. Department of
Transportation

Memorandum

Office of the Secretary
of Transportation

Office of the Inspector General

ACTION: Report on Survey of
Pilot Examiner Program, FAA
Report No. R2-FA-7-001

October 22, 1996

Lawrence H. Weintrob
Assistant Inspector General for Auditing

JA-1

Federal Aviation Administrator

We are providing this report for your information and use. Your May 10, 1996, comments on the March 13, 1996, draft report were considered in preparing this report. A synopsis of the report follows this memorandum.

Your Chief Financial Officer agreed with the report findings and concurred with three recommendations and partially concurred with one recommendation. Actions taken and planned are responsive to the recommendations, subject to the followup provisions of Department of Transportation Order 8000.1C.

I appreciate the courtesies and assistance extended to our staff during the audit. If you have any questions, or require additional information, please contact me at 366-1992 or Michael E. Goldstein, Regional Manager, Region II, at (212) 264-8701.

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U.S. Department of
Transportation

Office of the Inspector General

Pilot Examiner Program

Federal Aviation Administration

Report Number: R2-FA-7-001

October 22, 1996

Objective

The objective of this survey was to determine the effectiveness of the Federal Aviation Administration's (FAA) procedures and controls over (i) training and designating pilot examiners, (ii) tracking pilot examiner performance, (iii) maintaining integrity of the pilot examiner's administration of pilot tests, and (iv) removal of unqualified pilot examiners.

Conclusions

FAA has effective procedures and controls over training and designating pilot examiners. Flight Standards District Office (FSDO) monitoring of Designated Pilot Examiner (DPE) activities was not adequate. FSDO inspectors did not adequately monitor DPE performance, did not observe DPEs conducting tests, and did not rescind DPE delegations, when appropriate. In addition, FSDOs did not plan or report surveillance activities in the Program Tracking and Reporting Subsystem (PTRS) in a consistent or accurate manner. As a result, FAA could not be assured DPEs certified only qualified pilots, and, to the extent PTRS data was incorrect, FAA Headquarters' and the Eastern Region's ability to monitor FSDO surveillance activity was compromised. Moreover, due to potential conflicts of interest, FAA policy allowing DPEs to test their own students and Certified Flight Instructors (CFI) poses a risk to maintaining the integrity of DPE administration of pilot tests.

Monetary Impact

While the findings and recommendations have no monetary impact, the corrective actions will strengthen FAA controls over the Pilot Examiner Program and provide increased assurance that DPEs certify only qualified pilots.



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Recommendations

We recommend the FAA Administrator: (i) ensure FSDOs follow policies and procedures established to monitor DPE performance, (ii) reemphasize FAA requirements for performing surveillances while observing a DPE giving tests to actual applicants, and (iii) notify all FSDOs of the Ninth Circuit Court of Appeals decision and its impact on the removal of unqualified or non-conforming DPEs. In addition, we recommend the FAA Administrator review FAA policies related to DPEs testing their own students and CFIs to determine whether additional controls are needed to reduce the potential for conflicts of interest in the Pilot Examiner Program.

Management Position

FAA fully concurred with three recommendations and partially concurred with the recommendation to clarify procedures for performing surveillances while observing a DPE giving tests. Corrective actions have been planned in response to all four recommendations. FAA will reiterate and clarify the existing policy regarding the requirement to observe a practical test. Additional guidance will also be issued to specifically address the annual DPE meetings. FAA will also notify all FSDOs of the Ninth Circuit Court of Appeals decision and its impact on the performance of their duties. Furthermore, FAA will review existing policy to determine whether additional controls are needed to reduce the potential for conflicts of interest in the Pilot Examiner Program.

Office of Inspector General Comments

The actions planned by FAA are responsive to our recommendations.

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I. INTRODUCTION

Background

As a representative of the Federal Aviation Administration (FAA) Administrator, a Designated Pilot Examiner (DPE) is authorized by Title 49, United States Code, Section 44702, to perform certain tasks described in the Federal Aviation Regulations (FAR) under Title 14, Part 183, Section 23. As specified in the FAR:

Any pilot examiner, instrument rating examiner, or airline transport pilot examiner may, as authorized in his designation, accept applications for flight tests necessary for issuing pilot certificates and ratings under this chapter.

In addition, DPEs, under the surveillance of the cognizant FAA Flight Standards Inspector, conduct tests and issue temporary pilot certificates and ratings to qualified applicants. The Manager, Certification Branch in FAA Headquarters, estimated DPEs perform 90 to 95 percent of all pilot certifications.

Under the Pilot Examiner Program, FAA issues 10 different pilot examiner designations, including Private Pilot Examiners, Commercial Pilot Examiners, Airline Transport Pilot Examiners, and Flight Instructor Examiners. As of August 1995, more than 1,600 DPEs conducted tests for the FAA within the geographic jurisdiction of 86 Flight Standards District Offices (FSDO).

The Flight Standards Service's General Aviation and Commercial Division is responsible for development of national policy and overall supervision and evaluation of the DPE Program. Regional Flight Standards Divisions are responsible for the program within the regions. FSDO aviation safety inspectors (inspectors) are responsible for periodic monitoring of the program. The Pilot Examiner Standardization Section in Oklahoma City is responsible for providing initial and recurrent standardization training to DPEs.

In January 1994, FAA initiated an in-house investigation of its inspectors and DPEs. The investigation determined six inspectors and 12 DPEs improperly certified pilots for certain types of aircraft, including vintage military planes and corporate aircraft. However, FAA determined these certifications of pilots did not jeopardize the safety of the general public.

Several databases, including the Program Tracking and Reporting Subsystem (PTRS) and Vital Information Subsystem (VIS) are available to FSDO personnel to monitor DPE activities. The PTRS database is also used by FAA Headquarters and regional management to ensure that FSDOs meet goals established under the National Program Guidelines (NPG) for surveillance activities over DPEs. During Fiscal Years (FY) 1994 and 1995, FAA inspectors performed 2,372 and 2,018 surveillance inspections of DPEs, respectively.

In 1992, FAA identified a need to improve its certification of airmen. In response to that need, FAA is developing a computerized Airman Certification Rating Application (ACRA) system to provide immediate verification of inspector/DPE authorization and reduce the number of certificates issued in error or by fraud. FAA expects ACRA will enable DPEs and inspectors to electronically validate airman information prior to issuing an airman certificate by ensuring an applicant meets all regulatory and policy requirements and has no legal restrictions. ACRA is being developed to eliminate the need for the Airman Registry to input this data manually and to eliminate certification file errors.

FAA expects the ACRA screening process will provide a tool for the efficient monitoring and surveillance of inspector, Certified Flight Instructor (CFI), and DPE activities. ACRA was planned to enable inspectors and FSDOs to ensure CFIs and DPEs have a valid designation number, track CFI and DPE recommendations and certifications against the Enforcement Information System and VIS databases, and provide instant feedback to FSDO, regional, and headquarters offices. In addition, FAA anticipates ACRA will provide a tool for FSDOs to monitor DPEs by tracking the currency of DPE training, identifying high-activity DPEs, tracking practical test pass/fail rates, and flagging DPEs whose pass rate exceeds 90 percent or conduct three or more complete practical tests in a given day. ACRA also is being developed to track DPEs who received valid complaints from the public and DPEs who were involved in an accident, incident, or regulation violation. As of July 1996, ACRA is in the implementation phase of a three-phase approach--develop, implement, and operate. The ACRA system is anticipated to be fully operational by the end of FY 1997.

Objective, Scope, and Methodology

The objective of this survey was to determine the effectiveness of FAA's procedures and controls over (i) training and designating pilot examiners, (ii) tracking pilot examiner performance, (iii) maintaining integrity of the pilot examiner's administration of pilot tests, and (iv) removal of unqualified pilot examiners.

We conducted our survey at the following locations: FAA Headquarters, General Aviation and Commercial Division, Certification Branch, Flight Standards National Field Office, Washington, DC; Pilot Examiner Standardization Section, Oklahoma City, Oklahoma; Eastern Region Flight Standards Division, Jamaica, New York; and Eastern Region FSDOs in Farmingdale, New York, Teterboro, New Jersey, Washington, DC, and Philadelphia, Pennsylvania.

We reviewed documents in DPE files and conducted interviews with FAA employees responsible for designating and training DPEs, developing DPE policy, and monitoring FSDOs and DPEs within the Eastern Region during FYs 1994 and 1995. Our survey addressed five types of DPEs--Private Pilot Examiners, Commercial Pilot Examiners, Commercial and Instrument Rating Examiners, Airline Transport Pilot Examiners, and Flight Instructor Examiners. These DPEs were included in our survey because they conduct certification practical tests in-flight. Accordingly, our survey did not include the activities of Proficiency Pilot Examiners, Pilot Examiners-Simulator Only, Airmen Certification Representatives, and Military Competency/Foreign Pilot Examiners, because they did not conduct certification practical tests. We also excluded from our review examiners designated under the National Designated Pilot Examiner Registry Program, because of the limited number of these DPEs.

During the survey, we reviewed reports and FAA Orders related to the DPE Program and analyzed FAA records used to monitor DPE activity, including FSDO DPE files, PTRS-generated activity reports, and pilot examiner standardization training materials. We selected FSDOs for review based on the location of the office and number of DPEs under the FSDO's jurisdiction. At each FSDO visited, we reviewed the files of DPEs designated by that FSDO. We did not observe inspectors performing surveillances of DPEs conducting examinations because the four FSDOs we visited had met their FY 1995 NPG goals for this activity and did not perform any additional surveillances during our survey.

We conducted the survey from August through November 1995, in accordance with the Government Auditing Standards prescribed by the Comptroller General of the United States.

Management Controls

FAA Headquarters and the Eastern Region had a limited role in monitoring DPE performance. The Manager, Certification Branch, stated his office was concerned strictly with the certification process and not administration of the program after a pilot was certified. We identified two management controls, regional quality control evaluations and NPG activity reports, used by FAA Headquarters and the Eastern Region to monitor the DPE Program. Eastern Region's Flight Standards Division, Program Management Branch conducted quality control evaluations of FSDO DPE Program administration. The evaluations included an inspection of FSDO records to ensure that FSDOs conform to national policy. In addition, FSDO surveillances of DPE activities were used to monitor the quality of tests administered. Details of our findings regarding weaknesses in NPG activity reports and FSDO surveillances are discussed in Part II of this report.

Prior Audit Coverage

There has been no prior Office of Inspector General (OIG) audit coverage of the FAA's Pilot Examiner Program.

II. FINDINGS AND RECOMMENDATIONS

Finding A. FSDO Monitoring of DPE Activities

FAA has effective procedures and controls over training and designating pilot examiners. FSDO inspectors did not adequately monitor DPE performance, did not observe DPEs conducting tests, and did not rescind DPE delegations, when appropriate. This occurred because inspectors were not aware of their responsibilities, did not use FAA's preferred method of inspecting DPEs, and perceived FAA process for removing a DPE's delegation as long and difficult. As a result, FAA could not be assured DPEs certified only qualified pilots.

Discussion

Section 314(a) of the Federal Aviation (FA) Act empowers the FAA Administrator to delegate to private persons any function relating to the examination, inspection, and testing of airmen applicants. In addition, this section and FAA directives authorize the FAA Administrator to rescind in writing any delegation, at any time, and for any reason.

General Aviation Operations Inspector's Handbook (Inspector's Handbook), FAA Order 8700.1, Change 10, dated February 3, 1994, provides guidance for inspector tasks. The Inspector's Handbook also directs the activities of General Aviation Operations Inspectors responsible for certification, technical administration, and surveillance of individuals and organizations, in accordance with FAR Part 61, Certification: Pilots and Flight Instructors.

Pilot Examiner's Handbook (DPE Handbook), FAA Orders 8710.3A and 8710.3B, dated March 23, 1984, and September 28, 1994, respectively, provide guidance, prescribe procedures for FSDOs and DPEs, and identify privileges, responsibilities, and limitations of examiner designations and authorizations.

A DPE conducts practical tests to observe and evaluate an applicant's ability to respond to oral questions and to perform procedures and maneuvers required for the certificate or rating being sought. Practical tests are conducted in accordance with the FAR, FAA-issued practical test standards, and the aircraft's flight manual procedures. In addition, the DPE who conducts a practical test is responsible for the completeness and accuracy of the applicant's certification file. At the completion of the test, the DPE must

complete the certification file, indicate the results of the test, and mail the file to the supervising FSDO. At the four FSDOs visited, DPEs also submitted completed PTRS Data Sheets, Form 8000-36, for each test given. If an applicant meets all requirements, the DPE will issue a Temporary Airman Certificate.

In conducting a practical test, the DPE is prohibited from intentionally allowing an applicant to use procedures contrary to those specified in FAR and the flight manual, or to create a potentially hazardous condition. If the DPE's practical tests do not comply with these requirements, FAA may terminate the DPE's designation and consider the practical tests invalid.

FSDO Monitoring of DPE Performance

The Inspector's Handbook requires FSDOs to perform inspections of DPEs at the time of annual renewal, for high-activity examiners, and under the following circumstances:

- (1) an examiner whose practical test passing rate exceeds 90 percent,
- (2) an examiner who conducts three or more complete practical tests on a given day,
- (3) an examiner who tests a student trained by that examiner without approval from the supervising FSDO,
- (4) an examiner whose certification file error rate exceeds 10 percent,
- (5) an examiner who is the subject of a valid public complaint, or
- (6) an examiner who has been involved in an accident, incident, or FAR violation.

When these circumstances are encountered, the Inspector's Handbook requires an inspector to take appropriate action and document that action on a PTRS Data Sheet, FAA Form 8000-36 for entry.

We found inspectors did not consistently determine DPE pass/fail rates or error rates for pilot certification forms submitted. In addition, when any of the above circumstances were flagged, inspectors did not document followup action taken on DPEs with high passing rates or DPEs who conducted three or more practical tests on a single day.

Some inspectors took appropriate action by performing a surveillance inspection; however, other inspectors contacted the DPE by telephone or reviewed the PTRS Data Sheets submitted by the DPE for each activity. FSDO Operations Supervisors explained inspectors track examiners performing three or more tests on a single day by reviewing DPE

submissions of Airman Certificate and/or Rating Application forms, which require FSDO approval. However, we found no evidence of inspector followup on any of the 102 instances of DPEs testing of 3 or more applicants in a single day. Also, except in instances of recording inspections, other purported followup actions were not recorded on the PTRS Data Sheet, as required; therefore, any followup actions could not be tracked through PTRS.

FSDO Monitoring of DPE Training

DPE Handbook, FAA Order 8710.3A, dated March 23, 1984, ineffect during the period covered by this audit, states:

The district office will schedule the examiner for a course given by the Examiner Standardization Section, AVN-134, once every 2 years. Satisfactory completion of the recurrent examiner job function course . . . is mandatory for all pilot examiners. . . . The designation of a pilot examiner who fails to satisfactorily complete the recurrent job function course should be suspended until such time as the examiner has satisfactorily completed the prescribed course (or until such resolution, as deemed appropriate, is made).

On September 28, 1994, FAA issued FAA Order 8710.3B, which revised the DPE Handbook. Chapter 3 states:

Once every 2 years, all pilot examiners must satisfactorily complete examiner recurrent standardization training. . . . When an examiner is due for recurrent training, the examiner may complete the recurrent training 3-calendar months before or after the anniversary month. . . . When an examiner elects to complete recurrent training in the 3-month period after the anniversary month, the examiner's testing privileges will be suspended. . . . If an examiner fails the recurrent standardization course, the examiner's authorization will be rescinded. . . . Testing privileges will not be reinstated until the examiner satisfactorily completes the training.

The Inspector's Handbook states that if the DPE does not take the training prior to the anniversary date, the FSDO will suspend the DPE's authorization. The Inspector's Handbook further states, in these situations, the DPE will have a maximum of 3 months to successfully complete the

training, and if unsuccessful, the FSDO will revoke the DPE's authority. The DPE is then required to wait 12 months before reapplying for designation and must meet all requirements for initial designation.

We found three FSDOs did not suspend or revoke authority for five DPEs, who did not pass or take the mandatory recurrent standardization training. Our review of a DPE's file at the Farmingdale FSDO disclosed the DPE failed a recurrent standardization training course in August 1992. We could not locate evidence that the DPE had completed any subsequent training. When we notified the FSDO Operations Supervisor of the missing documentation, he contacted the DPE and requested the material, however, the DPE could not provide any proof of passing a recurrent training course. The Operations Supervisor then contacted the previous FSDO Manager, who remembered suspending the DPE in writing and requiring the DPE to take another standardization training course. However, the Operations Supervisor was unable to provide documentation of the suspension and requirement to complete the recurrent training.

The Eastern Region's Assistant Manager, Flight Standards Division, stated the Region took appropriate action by testing the DPE for CFI renewal on October 15, 1992, which the DPE passed. DPE Handbook (Order 8710.3A) stated determining whether a DPE's knowledge and application of current procedures and standards are adequate for renewal may be based on satisfactorily completing the standardization course and, at the discretion of the supervising FSDO, additional items may be required, including observation by an inspector of the DPE conducting a flight test. In our opinion, the Region's action to reinstate the DPE was not appropriate. Since the DPE demonstrated his lack of knowledge of current procedures and standards by failing the course, the FSDO, at a minimum, should have observed the DPE conducting a flight test.

After failing the recurrent standardization training course in August 1992, the DPE did not perform any pilot examinations until passing the CFI renewal test in October 1992. The Pilot Examiner Standardization Section provided evidence that this DPE took and passed the required recurrent standardization course in August 1994. This DPE performed 90 certification tests after passing the CFI test, but prior to passing the recurrent standardization training. The Manager of the Eastern Region's Technical Branch stated his review of the 90 tests given by the DPE indicated the pilots had been properly certificated.

Our survey also disclosed four instances where FSDOs did not suspend authority after DPEs did not take recurrent standardization training prior to their anniversary dates. These DPEs also continued to give tests after their anniversary dates. Our review of Philadelphia and Washington FSDO files disclosed three DPEs and one DPE, respectively, who did not take the required training prior to their anniversary date. The Philadelphia FSDO's Operations Supervisor stated he verbally notified the two DPEs not to perform tests after their anniversary dates passed and he did not realize the other DPE had not completed the training. Two of the three DPEs performed a total of five tests after their anniversary dates. Two of the DPEs subsequently attended and passed a recurrent standardization training course. The Washington DPE's authorization was renewed by the FSDO after an inspector briefed the DPE on what was discussed during the recurrent training. However, the DPE did not take the recurrent standardization training test. This DPE gave one test after his anniversary date.

The Inspector's Handbook states:

Each FSDO shall hold at least one pilot examiner meeting every year to review problem areas, examiner performance, standards, and procedures. Attendance at this meeting shall be recorded in the examiner's file maintained by the supervising FSDO file.

We found FSDOs either did not conduct the required annual training meeting, or did not maintain a record of DPEs attending the meeting. Interviews with FSDO Operations Supervisors regarding this annual meeting disclosed all four FSDO representatives believed the annual meeting did not have to be held in the same year as the recurrent training.

FSDO Surveillance Methods

The Inspector's Handbook states:

Surveillance is a function used to evaluate a pilot examiner's ability to conduct airmen certification activities as authorized.

In addition, the Inspector's Handbook specifies that the inspector may choose one of three methods to test a DPE candidate or evaluate a DPE for initial designation, renewal, and inspection. In order of preference, these methods include the inspector (1) observing the DPE candidate or DPE performing a practical test of an actual applicant, (2) acting in the role of an applicant, or (3) testing the DPE candidate or DPE on selected maneuvers to assess flight proficiency and ability to evaluate in accordance with applicable test standards. The preferred surveillance method is also identified in the FY 1994 NPG Notice. In addition, the FYs 1995 and 1996 Notices state each DPE must be observed conducting a practical test. At three FSDOs visited, inspectors observed DPEs administering tests to applicants in only 21 percent (22 out of 104) of the surveillances, designations, and renewals performed in FY 1994 and 23 percent (27 out of 118) of the surveillances, designations, and renewals performed in FY 1995. In 78 percent of the surveillances performed by inspectors, DPEs were tested by the other less-preferred methods. At the fourth FSDO, we could not perform this analysis because the information required was not entered into PTRS correctly.

To determine the impact of an inspector observing the test, we analyzed information obtained from PTRS reports and supplemental information provided by the FSDOs, such as whether an applicant was on-board when the DPE was tested and the results of the test. At three of the four FSDOs visited, 70 percent of the applicants tested (33 out of 47) passed when inspectors observed the tests. In comparison, the overall pass rate for DPEs at the four FSDOs was 90 percent in FYs 1994 and 1995. This significant difference in pass rates suggests DPE testing procedures may be more stringent when observed by an inspector. In addition, the lower pass rate demonstrated FAA's preferred method of surveillance, observing a DPE administer a test to an actual applicant, was a more effective surveillance method to ensure DPEs certify only qualified pilots.

Removal of Unqualified DPEs

The Inspector's Handbook states:

Section 314(a) of the FA Act empowers the Administrator to delegate to private persons any function relating to examination, inspection, and testing of airmen applicants Under this section and FAA directives the Administrator may also rescind any such delegation at any time and for any reason deemed appropriate.

Interviews with the Operations Supervisors at three of the four FSDOs visited disclosed the inspectors perceived that FAA procedures for removing a DPE's delegation were a long and difficult process. The perception was the DPE had to be notified in writing of FAA's intent in all non-renewals, including those resulting from a DPE's lack of activity or poor performance. A 1989 General Accounting Office report stated that FAA had lost court cases where DPEs challenged removal because FAA did not provide DPEs with required due process. In response to the report, FAA amended its procedures to ensure due process was followed. When we interviewed the FAA's Assistant Chief Counsel, Litigation Division, he informed us that revised procedures for removing DPEs had resulted in less litigation, and FAA had been successful in removing delegations for 6 DPEs who had contested removal over the last 3 years. In addition, he indicated a recent court decision would facilitate removal of unqualified DPEs. In 1994, the Ninth Circuit Court of Appeals ruled that removal of a DPE's delegation is at the discretion of the FAA Administrator, and is not a matter of law. In the Assistant Chief Counsel's opinion, ". . . because of this ruling, FAA will have no problem in removing DPE designation." The Eastern Region's Technical Branch Manager stated the Region's FSDOs had been informed of the Ninth Circuit Court of Appeals decision. However, three of the FSDO Operations Supervisors we interviewed did not indicate they were aware of the recent court decision.

During the last 3 fiscal years, the Eastern Region did not renew the delegations of two DPEs as a result of their poor performance. However, we found that the Eastern Region did not take action to remove all unqualified DPEs. For example, the Teterboro FSDO canceled two DPEs' authorizations in FY 1994 because the DPEs had made numerous errors on the airmen certificates filed, administered practical tests to ineligible applicants, and failed to properly review airmen log books prior to giving practical tests. Both DPEs appealed the decision to the FSDO and were

reinstated after complying with the terms of consent orders between the Eastern Region and the DPEs. Terms of the consent orders required the DPEs to attend a standardization course and advise the FSDO in advance of performing tests. Both DPEs attended and satisfactorily completed an initial standardization course. If the FSDO had been aware of the Ninth Circuit Court of Appeals decision, its efforts to terminate the designation of these DPEs would have been strengthened.

Recommendations

We recommend the FAA Administrator:

1. Ensure FSDOs follow policies and procedures established to monitor DPE performance.
2. Reemphasize FAA requirements for performing surveillances while observing a DPE giving tests to actual applicants.
3. Notify all FSDOs of the Ninth Circuit Court of Appeals decision and its impact on the removal of unqualified or nonconforming DPEs.

Management Response

FAA concurred with Recommendations 1 and 3. Additional guidance will be issued during FY 1996 to ensure compliance with existing policy on the requirement for annual DPE meetings. FAA will also notify all FSDOs during FY 1996 of the Ninth Circuit Court of Appeals decision and its impact on the performance of their duties.

FAA partially concurred with Recommendation 2. In its response, FAA stated that the requirements for performing surveillance while observing a DPE conduct tests with actual applicants is clearly spelled out in FAA Orders 8700.1 and 8710.3B and in annual NPG notices. In addition, not all of the cited inspections were subject to the provisions of FAA Notices N1800.134 and N1800.135, National Flight Standards Work Program Functions. Nevertheless, FAA acknowledged the benefit of conducting such inspections, but did not agree with the conclusions reached.

FAA stated our draft report did not take into account other factors that could affect the outcome of the practical test. These factors included additional stress placed on the applicant because of observance by the DPE and the FAA inspector, and the economic hardship of providing a larger aircraft to

accommodate an observing FAA inspector. FAA also added that excellent standards can be achieved when an FAA inspector plays the role of the applicant throughout the entire practical test.

Despite these considerations, FAA agreed to reiterate and clarify existing policy regarding the requirement to observe a practical test. This action is expected to be completed during FY 1996. FAA stated that a copy of any guidance and/or notification issued as a result of actions taken will be provided to the OIG. FAA's entire response is included as an appendix to this report.

Audit Comments

While the requirements of the FAA Orders and NPG are clear regarding FAA inspectors observing DPEs conducting tests of actual applicants, we found that inspectors did not comply with the FY 1995 NPG requirement to observe each DPE conducting a practical test. In addition, FAA Order 8700.1 states that when an inspector observes the DPE testing an actual applicant, the inspector is evaluating the DPE's performance. If this fact is explained to the applicant prior to the test, the stress factor may be reduced. The corrective actions planned are responsive to the recommendations. However, the recommendations will not be closed until we receive and review the additional guidance and/or notifications issued.

Finding B. FSDO Surveillance Activity

FSDOs did not plan or report surveillance activities in PTRS in a consistent or accurate manner. This occurred because FAA requirements were vague and not interpreted correctly by FSDO inspectors. To the extent PTRS data was incorrect, FAA Headquarters' and the Eastern Region's ability to monitor FSDO surveillance activity was compromised.

Discussion

National Flight Standards Work Program Functions, FAA Notice 1800.132, dated July 16, 1993, for FY 1994, and FAA Notice 1800.134, dated July 8, 1994, for FY 1995, provide guidance to FSDOs for developing annual NPG activities. Each Notice states:

The required work activities (R-items) in this notice identify specific inspections that need to be accomplished to assure a balanced look of the entire aviation community. . . . Accurate planning, high quality inspections, and reporting are essential.

Administration of Aviation Standards Activities Program Guidelines, FAA Order 1800.56, dated October 11, 1985, states:

This order is designed to provide general guidance to all Aviation Standards organizational units in the development and execution of annual work programs. . . . The program guidelines are the basis for assuring an acceptable level of safety is maintained within the aviation community.

Program Tracking and Reporting Subsystem, FAA Order 1380.51, dated November 8, 1989, provides computerized forecasting, planning, tracking, and modification of work programs. In addition, PTRS is intended to enable the Flight Standards Service to manage work programs and identify, analyze, and take corrective action on trends affecting aviation safety.

NPG Planning and Reporting

NPG Notices state surveillance is the most important function to be performed by FSDO personnel to ensure safety and regulatory compliance. Required work items, or "R-items," are automatically generated and assigned via the FAA's Vital Information Subsystem (VIS). NPG guidance

requires one inspection for each DPE designated within the FSDO and emphasizes additional planned surveillances for a FSDO's high-activity DPEs. However, we found the FSDOs' planning and accomplishment of annual surveillance was not consistent with the intent of NPG requirements. This occurred because multiple "R-items" were erroneously assigned to individual DPEs, based on variations of DPE names in the VIS. Although all DPEs received a minimum of one inspection, additional inspections were not based on the level of DPE activity, as required by the NPG and Inspector's Handbook. For example, the Teterboro FSDO planned and conducted more than one inspection for five DPEs in FY 1994 and eight DPEs in FY 1995. In contrast, the Teterboro FSDO's most active DPE was scheduled for only one "R" inspection in both FY 1994 and FY 1995, the minimum required. The FSDO's Operations Supervisor justified the additional "R" inspections based on FSDO policy requiring inspectors to spend 35 percent of their time in the field performing NPG inspections.

The FY 1994 NPG Notice stated NPG surveillance may not be conducted in conjunction with the inspection performed for a DPE's annual renewal requirements. Based on this instruction, none of the four FSDOs visited met established NPG goals for FY 1994 DPE surveillance. We found the FSDOs had conducted the required NPG surveillance in conjunction with a DPE's annual renewal for 40 percent of the DPEs (Teterboro 11 of 21, Philadelphia - 10 of 28, Farmingdale- 2 of 14, Washington- 14 of 29).

Although FSDOs met FY 1995 NPG goals for DPE surveillance, they did so because surveillance requirements changed significantly in FY 1995. FSDOs were still required to perform only one NPG surveillance of each DPE, however, the wording of the NPG Notice was changed to remove the requirement to perform a separate certificate renewal inspection. Similar wording was included in the FY 1996 NPG Notice.

In response to our questions regarding clarification of NPG reporting requirements, the Manager, Safety and Analysis Branch stated every DPE should have both an NPG inspection and a certificate renewal recorded. He also stated FAA had previously identified the problem within VIS and PTRS and plans to resolve the problem in FY 1996 by making software changes and enhancements to its computer systems. In our opinion, FAA needs to clarify the distinction in reporting and performing DPE inspections because of the confusion that exists between the NPG requirement for one inspection for each DPE and the Inspector's Handbook requirement for a separate inspection at the time of the DPE's certificate renewal.

NPG Monitoring

FAA Headquarters, Flight Standards Service, and the Eastern Region developed and monitored accomplishment of each FSDO's NPG surveillance goals. NPG Activity reports were used by the Flight Standards Service to monitor Regions' and FSDOs' performance of surveillance activities over DPEs. These reports track the progress of each FSDO's actual surveillances performed versus required activities established at the beginning of the fiscal year. The Flight Standards National Field Office reviews work activities periodically to determine the FSDO's progress in meeting the target of accomplishing 2 percent of surveillance goals per week during the fiscal year. If the FSDO falls behind its goals, the National Field Office contacts the FSDO directly, or the Director, Flight Standards Service, issues a memorandum to the FSDO. The memorandum emphasizes the importance of completing the "...required surveillance program in order to ensure minimum safety standards for the aviation industry in your community."

Each FSDO's performance of NPG goals was evaluated by FAA Headquarters and the Region, based on data included in the PTRS activity reports. Since the PTRS activity reports showed 100-percent completion of "R-items," the FSDOs appeared to have met the FY 1994 NPG goals. However, in fact, the requirements of the FY 1994 NPG were not met at those FSDOs. Accordingly, to the extent the PTRS data was incorrect, FAA's ability to manage its DPE Program was compromised. Unless effective corrective action is taken, FAA cannot be assured future DPE surveillance activities provide a balanced review and an acceptable level of safety within the aviation community.

A recommendation for this finding is not included because we consider FAA's response to OIG Report No. R9-FA-6-002, Surveillance of Pilot Schools, dated November 8, 1995, to adequately address the cause of this finding. FAA stated it was revising the PTRS Manual for incorporation into FAA Order 1380.51 for release to all FSDOs. The revised PTRS Procedures Manual (Manual), dated June 21, 1996, instructs FSDOs to establish procedures to ensure the required accuracy and currency of PTRS.

In addition, the Manual states:

Regional Flight Standards Divisions have an oversight responsibility for the accuracy and currency of the data bases

maintained by FSDOs. They will establish a process which will assist and enable FSDOs to maintain a database of the highest possible quality. . . . Managers and supervisors should ensure that inspectors and administrative personnel are aware of their individual responsibility for the accurate reporting of work activities in PTRS.

III. OTHER MATTERS

Due to potential conflicts of interest, FAA policy allowing DPEs to test their own students and CFIs poses a risk to maintaining the integrity of the DPEs' administration of pilot tests. The DPE Handbook specifies that:

. . . an examiner may test an applicant trained by that examiner if another CFI has given the applicant at least 3 hours of flight instruction . . . and has recommended the applicant for the certificate sought.

Therefore, DPEs may test their own students if another CFI provides the minimum instruction and completes the recommendation section of the application form. In this case, the FSDO would not be able to determine from the documents submitted by DPEs whether the DPEs were testing their own students.

Furthermore, FAA designates DPEs to conduct exams for initial certification and renewal of CFIs. Since a DPE's pilot examination income may depend on referrals from CFIs, the DPE's independence in administering tests may be compromised and a potential conflict of interest exists. In addition, recently proposed rule changes issued by FAA would provide for a CFI's certificate renewal based on endorsement of at least 5 students and at least 80 percent of students passing their tests on the first attempt. Therefore, it is in the interest of CFIs to refer their students to a DPE with a high pass rate.

Similarly, a potential conflict of interest exists for DPEs employed by a flight school and performing DPE services for that flight school. Since the DPE depends upon the flight school for employment and referral of applicants, there is an incentive for the DPE to compromise the integrity of exams given. By doing so, the school would maintain a high-pass rate, thereby enhancing the image of the school to attract new students.

Recommendation

We recommend the FAA Administrator review FAA policies related to DPEs testing their own students and CFIs to determine whether additional controls are needed to reduce the potential for conflicts of interest in the Pilot Examiner Program.

Management Response

FAA concurred with the recommendation and will review existing policy to determine if additional controls are needed to reduce the potential for conflicts of interest. The review will be completed during FY 1996 and FAA will advise the OIG of the determination on this matter. FAA's entire response is included as an appendix to this report.

Audit Comments

The actions planned by FAA are responsive to the recommendation. However, the recommendation will remain open until we receive and evaluate the results of FAA's review of existing policy.

AUDIT TEAM MEMBERS

The following is a listing of audit team members who participated in the audit of FAA's Pilot Examiner Program.

Michael E. Goldstein	Regional Manager
George Lavanco	Auditor-in-Charge
Joseph Tschurilow	Auditor
Roy Williams	Auditor



U.S. Department
of Transportation
Federal Aviation
Administration

Memorandum

Subject: **INFORMATION:** OIG Draft Report on Survey of Pilot Examiner Program Date: MAY 10 1996

From: Chief Financial Officer

Reply to
Attn. of: AWilliams.
267-9000

To: Assistant Inspector General for Auditing

We have reviewed the Office of Inspector General (OIG) draft report. We concur with three of the recommendations and concur-in-part with one. Our comments address each of these and indicate actions we plan for each recommendation. A copy of any guidance and/or notification issued as a result of actions taken will be provided to you.

OIG Recommendation 1: Ensure Flight Standards District Offices (FSDO) follow policies and procedures established to monitor Designated Pilot Examiner (DPE) performance.

FAA Response: Concur. The policies and procedures established to monitor DPE performance are outlined in FAA Order 8700.1, General Aviation Inspector's Handbook, Chapter 16, Section 1. In some instances, the annual DPE meetings requirement may not have been accomplished in accordance with established policy because of an erroneous understanding of the policy, specifically, that some personnel believed the DPE standardization course could be substituted for the annual FSDO meeting. We will issue additional guidance to ensure future compliance with the existing policy. The guidance will reiterate the requirements in the handbook and will specifically address the annual DPE meetings. The guidance will be issued during FY 1996.

OIG Recommendation 2: Clarify FAA requirements for performing surveillances while observing a DPE giving tests to actual applicants.

FAA Response: Partially concur. The FAA requirements for performing surveillance while observing a DPE conducting tests with actual applicants is clearly spelled out in FAA Order 8700.1 and FAA Order 8710.3B. Unique requirements of the National Program Guidelines (NTG) are similarly indicated in annual NPG notices; i.e., N1800.xxx. Not all of the cited inspections were subject to the provisions of FAA Notices NI 800.134 and N 1800.135. Specifically, not all were subject to a "requirement" to observe a practical test. We will reiterate and clarify the existing policy regarding the requirement to observe a practical test. This action will be completed during FY 1996.

We acknowledge the benefit of conducting such inspections, but do not agree with the conclusions. The report indicated that higher failure rates occurred when an FAA inspector was observing practical tests and implied that a higher failure rate was because of stricter compliance with the practical tests standards (PTS) when an FAA inspector was present. Their conclusion does not take into account other factors that could affect the outcome of the practical test. This procedure would place an additional stress on the part of the applicant because of observance by two examiners, the DPE, and the FAA inspector.

Having the FAA inspector observing the DPE testing an actual applicant is highly desirable but can impose an economic hardship on the applicant, especially if the applicant is requested to provide a four-place aircraft in lieu of a two-place aircraft. In order to accommodate an observing FAA inspector, excellent standards can be achieved when an FAA inspector plays the role of the applicant throughout the entire practical test.

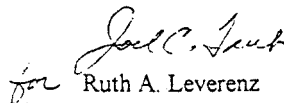
OIG Recommendation 3: Notice all FSDO's of the Ninth Circuit Court of Appeals decision and its impact on the removal of unqualified or nonconforming DPE's.

FAA Response: Concur. All FSDO'S will be notified of the Ninth Circuit Court of Appeals decision and its impact on the performance of their duties. The notification will be provided during FY 1996.

Other Matters: FAA policy allowing DPE's to test their own students and Certified Flight Instructors poses a risk to maintaining the integrity of the DPE's administration of pilot tests, due to potential conflicts of interest.

OIG Recommendation 4: We recommend the FAA Associate Administrator for Regulation and Certification review FAA policies to determine whether additional controls are needed to reduce the potential for conflicts of interest in the Pilot Examiner Program.

FAA Response: Concur. The policies and procedures for DPE's are addressed in FAA Order 8710 .3B, Pilot Examiner's Handbook. We will review the existing policy to determine if additional controls are needed to reduce the potential for conflicts of interest and will advise the OIG of the determination on this matter. The review will be completed during FY 1996,


for Ruth A. Leverenz