



FY2009 PERFORMANCE & ACCOUNTABILITY REPORT

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Ray LaHood
Secretary of Transportation

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Message from the Secretary



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MESSAGE FROM THE SECRETARY



I am pleased to submit my first Performance and Accountability Report for Fiscal Year 2009 as Secretary of the U.S. Department of Transportation (DOT). As I stated during my confirmation hearing earlier this year, improving the economic health of the Nation, the livability of our communities, and the sustainability and safety of the Nation's transportation systems are the major priorities of DOT. These priorities have guided my first year as Secretary and I will continue to pursue these important goals throughout my tenure.

In addition to our core mission of improving the safety and reliability of our Nation's transportation systems, we have successfully implemented the American Recovery and Reinvestment Act of 2009 (Recovery Act) and the Car Allowance Rebate System (CARS). Although our data collection is ongoing and therefore

necessarily incomplete as of the date of the submission of this report, the information available indicates that the Recovery Act and CARS program have contributed to reviving our Nation's economy during very challenging times. The Recovery Act will continue to spur economic recovery into 2010; and the CARS program improved the fuel efficiency of our passenger vehicle fleet, and put Americans back to work. I am proud of the efforts made by DOT staff to implement these programs.

RECOVERY ACT

The Recovery Act provides \$48.1 billion to DOT for infrastructure investment spending. The investments in "ready-to-go" projects created jobs almost immediately and will continue to improve the productivity of our transportation systems over the long term. These investments will finance needed repairs to our highways, bridges, airports, and seaports; enhance transit operations; and fund the largest expansion of passenger rail in United States history. Projects funded with Recovery Act dollars range from the \$189 million spent to widen the I-405 Sepulveda Pass in California to the almost 700 grants awarded by the Federal Transit Administration to transit agencies around the country.

As we approach the half-way point of the 18-month Recovery Act initiative, more than 60 percent of the funds have been obligated. Moreover, the pace of these outlays continues to increase. I am particularly proud of the fact that DOT has met or exceeded all of the



Recovery Act deadlines, and that funding has been obligated for more than 9,400 projects, of which more than 5,500 are currently under way or completed. Most importantly, each month the number of people directly employed with Recovery Act funding continues to grow.

As the country's aging transportation assets are brought to a state of good repair, and as others are expanded or constructed to accommodate multimodal methods of transporting passengers and freight, the Recovery Act will provide economic and social benefits that will endure for generations. Since the Act's passage, I have personally visited at least 30 States and 60 cities and I have seen the positive impact these investments are making in our communities across America.

CARS

The Car Allowance Rebate System (CARS), also known as "Cash for Clunkers," has been wildly successful in achieving program objectives. In the third quarter of 2009, car dealers around the country sold nearly 700,000 vehicles, enabling many of these small businesses that are so vital to their communities to weather the economic downturn. This 10.6 percent increase in sales generated local and State tax revenues and created a demand for additional automobile production that in turn created more jobs. Moreover, the CARS program generated a 60 percent improvement in fuel economy between traded-in vehicles and vehicles purchased under the program.

SAFETY

Our most important priority at DOT is transportation safety. We have worked diligently to reduce fatality rates on highways and in the air, and we are making traveling in America safer than in past years by focusing on distracted driving and motorcycle safety, and by promoting the use of seatbelts and child safety seats.

Road Safety

Most transportation-related deaths occur on our Nation's highways. Reducing highway fatalities is therefore a top priority at the Department. I am proud to report that seatbelt usage rates have increased to 84 percent, thanks to programs such as Click It or Ticket. We have lowered the fatality rate for automobiles, while also reducing fatalities related to large trucks and buses.

Recently, we have focused on a new hazard, distracted driving, which we will continue to address in the coming fiscal year. Our latest research shows that nearly 6,000 people died last year, and more than half a million people were injured, in crashes involving a dis-

traced driver. To this end, President Obama signed an Executive Order directing Federal employees not to engage in texting while driving government-owned vehicles or while driving privately owned vehicles on official government business. The President's order sends a clear signal to the American public that distracted driving is dangerous and unacceptable and demonstrates that the Federal government is leading by example. In my capacity as Secretary of Transportation, I am also calling on State and local governments to work with DOT to reduce fatalities and crashes by making distracted driving part of their State safety plans, and by passing State and local laws against distracted driving in all types of vehicles.

Safety in the Air

DOT is committed to providing the safest air travel in the world. In FY 2009, DOT surpassed its goal for reducing the rate of commercial air carrier fatalities. Importantly, DOT also reduced the most serious runway incursions to below our targeted rate by enhancing airport surface markings and revising air traffic control procedures.

LIVABLE COMMUNITIES

One of my highest priorities is to help make our communities more livable. To achieve this goal, in FY 2009 DOT joined with the U.S. Department of Housing and Urban Development and the Environmental Protection Agency to create a sustainability partnership, whose mandate is to coordinate Federal investments in transportation, housing, air quality, and water infrastructure across the country. This collaborative effort is essential if we are to provide Americans with more transportation options and affordable housing choices near transit, as well as ensuring greater access to jobs, education, health care, and other vital services. The DOT will continue to work with its Federal, State, and local partners to transform our transportation system into a truly multimodal system with strong alternatives to driving in order to maximize returns on highway capacity, combat traffic congestion, reduce our reliance on oil, and decrease greenhouse gas emissions.

FUEL ECONOMY AND CLIMATE CHANGE

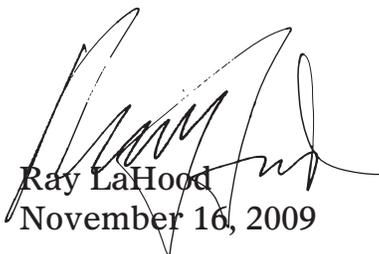
This year DOT also successfully partnered with the U.S. Environmental Protection Agency (EPA) to establish an historic, coordinated national program that will improve fuel economy and reduce greenhouse gases from light duty vehicles built in model years 2012–2016. The standards, if finalized as proposed, would also conserve billions of barrels of oil, save consumers money at the pump, increase fuel economy, and reduce millions of tons of greenhouse gas emissions by raising fleet-wide fuel economy standards to an average of 35.5 miles per gallon by 2016—all while ensuring that consumers still enjoy a full range of vehicle choices. These proposed standards, which were established with

unprecedented support from automakers, the United Auto Workers, leaders in the environmental community, governors and State officials, were published in September 2009 and build upon core principles that President Obama announced in May 2009.

CONCLUSION

I am committed to doing everything in my power to make our Nation's transportation system safer, stronger, greener, and more accessible to everyone, and I want to express my appreciation to the employees and partners of DOT, who not only worked diligently during the past year to address the most significant challenges facing our Nation's transportation system, but also implemented two significant programs to help our Nation begin recovering from the greatest downturn in our economy since the Great Depression.

This report contains descriptions of the long-term challenges that lie ahead, as well as evidence of the progress that we made in FY 2009. The data and information are reliable and supported by verifiable measurement and reporting procedures in place throughout the Department.



Ray LaHood
November 16, 2009

Message from the Chief Financial Officer



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MESSAGE FROM THE CHIEF FINANCIAL OFFICER



I am pleased to issue the Department of Transportation's (DOT) Fiscal Year 2009 Performance and Accountability Report. This report provides information on the Department's program performance, the management of the financial resources used to support these programs, and the steps taken to ensure that the Department's internal controls remain strong. These are top priorities for my office, and will continue to be our major focus.

FY 2009 was a year of substantial progress for the DOT. We successfully:

- Implemented the first phase of the American Recovery and Reinvestment Act of 2009 (Recovery Act) ensuring the \$48.1 billion provided to DOT was put to work rebuilding our transportation network in cities and counties across the Nation, and;
- Oversaw the overwhelming success of the Car Allowance Rebate System (CARS) program, which aided nearly 700,000 vehicle sales in the third quarter of 2009.

In addition we achieved an unqualified opinion on our financial statements, our eighth in the last nine years. By continuing to achieve clean audit opinions with no material weaknesses, we are able to provide a solid foundation for assessing performance and strategic investments in transportation safety, and to act as prudent financial stewards of taxpayers' funding.

On February 13, 2009 Congress passed the Recovery Act. The Recovery Act's three main goals are to: (1) create and save jobs, (2) spur economic activity and invest in long-term economic growth, and (3) foster unprecedented levels of accountability and transparency in government spending. The DOT received \$48.1 billion in Recovery Act funds to rebuild our Nation's network of roads, tunnels, bridges, rail systems, airports and waterways, which we depend upon to keep the economy moving and growing. As of September 30, 2009, DOT had obligated more than 60 percent of Recovery Act funding and expended almost \$4 billion. I am pleased to report that Recovery Act funding has been obligated for more than 9,400 projects, of which more than 5,500 projects are currently under way or completed.

As the DOT implements the Recovery Act to create jobs and improve transportation, we have also been working to ensure that people who travel on our highways are safe. We continue to make progress to reduce fatalities on our highways through our core programs. Seatbelt usage is at an all time high of 84 percent. We also are focusing, however, on a new hazard—distracted driving—which was at least partially responsible for nearly 6,000 deaths last year. To highlight the dangers of distracted driving and to lead by example, President Obama signed an Executive Order prohibiting Federal employees from engaging in texting while driving government-owned vehicles or while driving privately owned vehicles when on official government business.

In the year to come, we will continue to build on our solid foundation for organizational excellence. As I continue my tenure as Chief Financial Officer, I will strive to demonstrate the financial transparency and best practices, and achieve the program results the American people expect and deserve.



Christopher Bertram

Assistant Secretary for Budget and Programs, and Chief Financial Officer

Management's Discussion and Analysis



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ABOUT THIS REPORT

The Department of Transportation's (DOT or Department) Performance and Accountability Report (PAR) for Fiscal Year 2009 (Report) provides performance and financial information that enables Congress, the President, and the public to assess the performance of the Department relative to its mission and stewardship of the resources entrusted to it. This Report satisfies the reporting requirements of the following major legislation.

- Reports Consolidation Act of 2000
- Government Performance and Results Act of 1993
- Chief Financial Officers Act of 1990
- Government Management Reform Act of 1994

These reports are combined in the PAR, which consists of the Annual Performance Report—required by the Government Performance and Results Act of 1993—with annual financial statements—required under the CFO Act, as amended by the Government Management Reform Act of 1994—and other reports, such as assurances on internal controls, accountability reports by agency heads, and Inspector General assessments of an agency's management challenges.

Additional copies of the Department of Transportation's Fiscal Year 2009 Performance and Accountability Report are available by writing to:

U.S. Department of Transportation
Office of the Assistant Secretary for
Budget and Programs/Chief Financial Officer
Room W95-330
1200 New Jersey Ave, SE
Washington, DC 20590

You may also view this Report online at <http://www.dot.gov>



HOW THIS REPORT IS ORGANIZED

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Management's Discussion and Analysis (MD&A) section provides a summary of the entire Report. It includes an organizational overview; a summary of the most important performance results and challenges for FY 2009; a brief analysis of financial performance; a brief description of systems, controls, and legal compliance; and information on the Department's progress in implementing the President's Management Agenda. The MD&A also addresses the management challenges identified by the Department's Inspector General and a summary of the Inspector General's audit report.

THE PERFORMANCE REPORT

The Performance Report section contains the annual program performance information required by the Government Performance and Results Act of 1993 (GPRA) and includes all of the required elements of an annual program performance report as specified in OMB Circular A-11, Preparation, Submission and Execution of the Budget. The results are presented by Strategic Goal.

THE FINANCIAL REPORT

The Financial Report section contains the Department's financial statements, notes, required supplementary information, supplementary information pertaining to the Department's stewardship of Federal assets, related Inspector General's Audit Report, and other accompanying information.

UNITED STATES DEPARTMENT OF TRANSPORTATION

MISSION AND VALUES

MISSION

The national objectives of general welfare, economic growth and stability, and the security of the United States require the development of transportation policies and programs that contribute to providing fast, efficient, and convenient transportation at the lowest cost consistent with those and other national objectives, including the efficient use and conservation of the resources of the United States.

VALUES

Professionalism

As accountable public servants, we exemplify the highest standards of excellence, integrity, and respect in the work environment.

Teamwork

We support each other, respect differences in people and ideas, and work together in ONE DOT fashion.

Customer Focus

We strive to understand and meet the needs of our customers through service, innovation, and creativity. We are dedicated to delivering results that matter to the American people.

ORGANIZATION

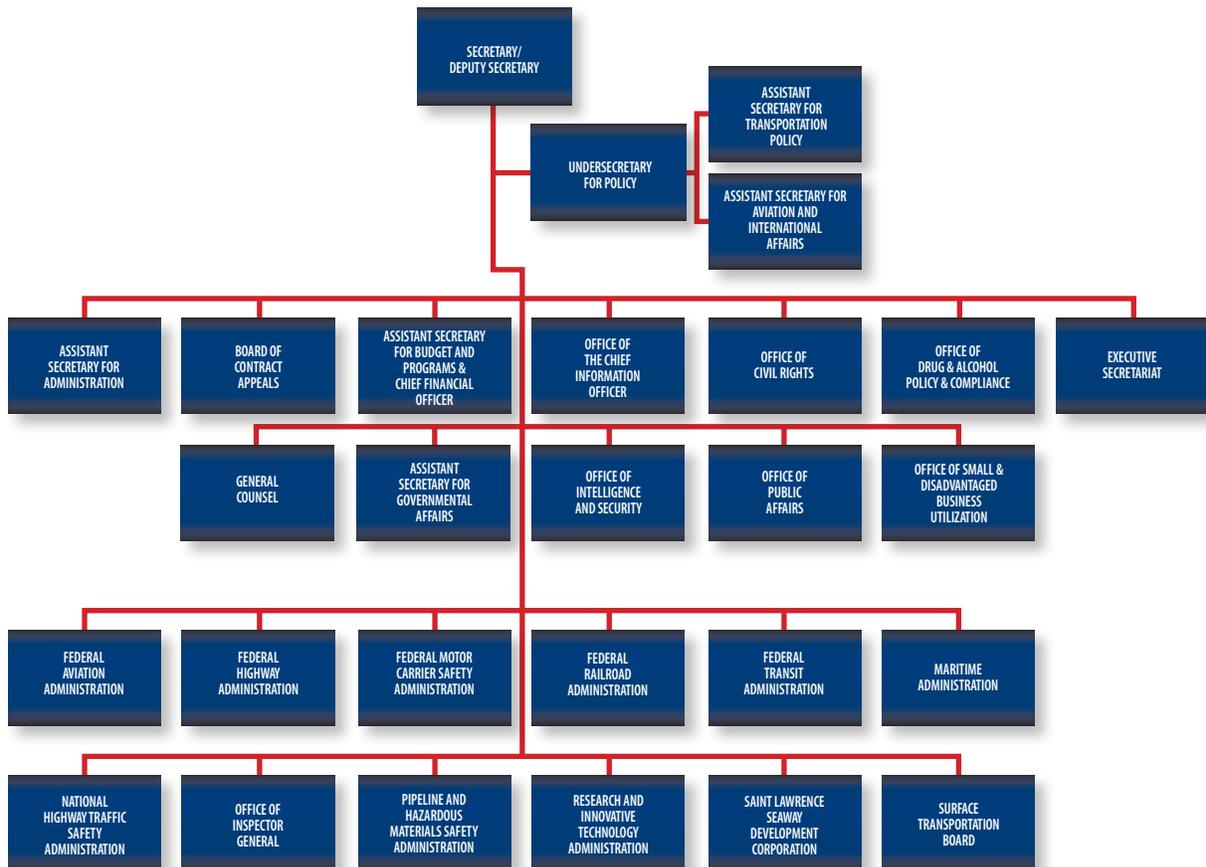
HISTORY

Established in 1967, DOT sets Federal transportation policy and works with State, local, and private sector partners to promote a safe, secure, efficient, and interconnected National transportation system of roads, railways, pipelines, airways, and seaways. DOT's overall objective of creating a safer, simpler, and smarter transportation program is the guiding principle as we move forward to achieve specific goals.

HOW WE ARE ORGANIZED

DOT employs almost 60,000 people across the country, in the Office of the Secretary of Transportation (OST) and through twelve Operating Administrations (OAs) and bureaus, each with its own management and organizational structure.

The Office of the Secretary of Transportation provides overall leadership and management direction, administers aviation economic programs, and provides administrative support. The Office of Inspector General (OIG) and the Surface Transportation Board (STB), while formally part of DOT, are independent by law.



OVERVIEW OF LEGISLATIVE AUTHORITIES

The DOT strategic plan summarizes the legislative authorities of each Operating Administration. To provide a context for the reader, the highlights of the responsibilities of each Operating Administration are listed below.

Office of the Secretary. The Office of the Secretary (OST) oversees the formulation of national transportation policy and promotes intermodal transportation. Other responsibilities range from negotiation and implementation of international transportation agreements, assuring the fitness of U.S. airlines, enforcing airline consumer protection regulations, issuance of regulations to prevent alcohol and illegal drug misuse in transportation systems and preparing transportation legislation.

Federal Aviation Administration. The Federal Aviation Administration's (FAA) mission is to promote aviation safety and mobility by building, maintaining, and operating the Nation's air traffic control system; overseeing commercial and general aviation safety through regulation and inspection; and providing assistance to improve the capacity and safety of our airports.

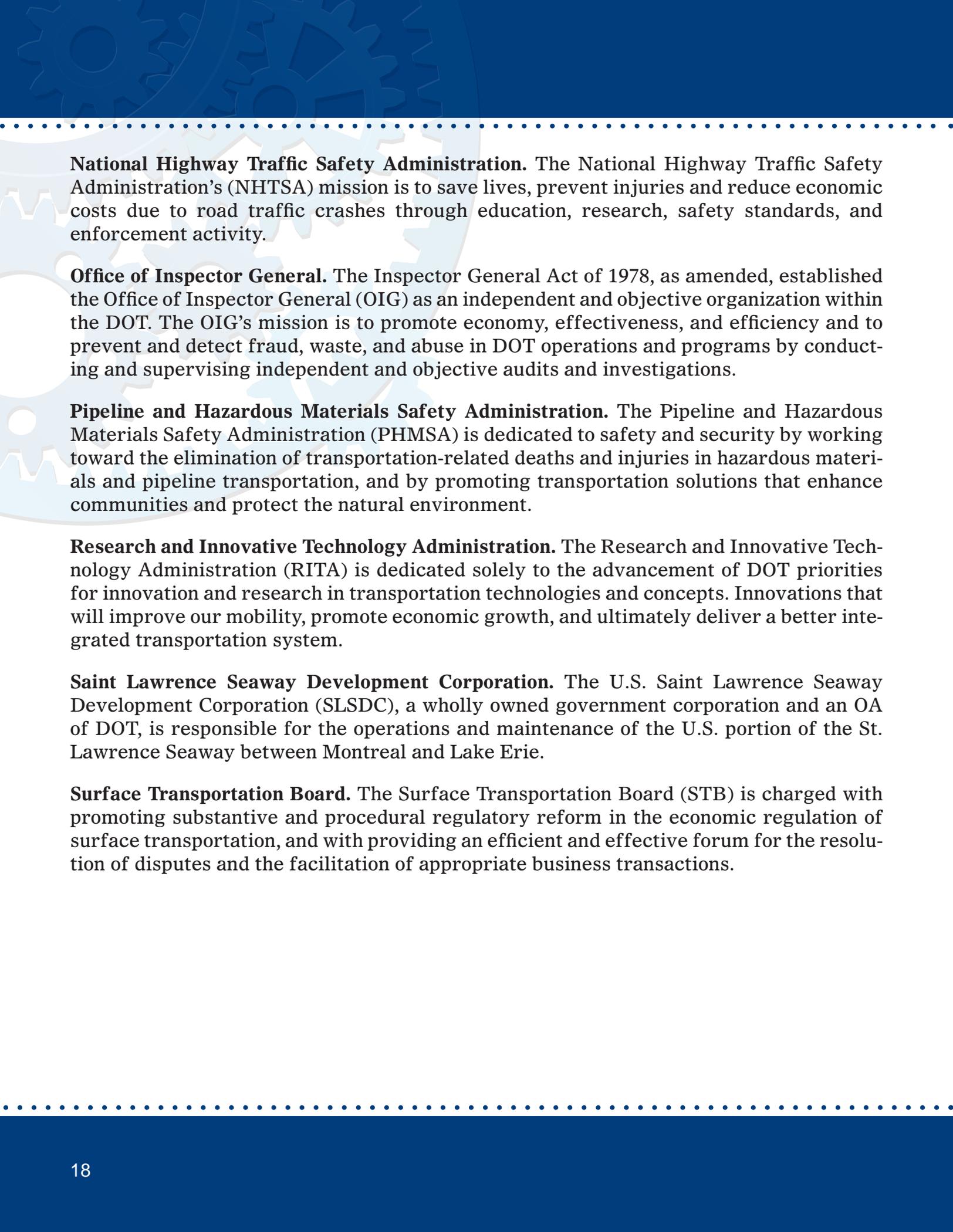
Federal Highway Administration. The mission of the Federal Highway Administration (FHWA) is to enhance mobility through innovation, leadership, and public service.

Federal Motor Carrier Safety Administration. The Federal Motor Carrier Safety Administration's (FMCSA) primary mission is to prevent commercial motor vehicle-related fatalities and injuries.

Federal Railroad Administration. The Federal Railroad Administration's (FRA) mission is to ensure that our Nation has safe, secure, and efficient rail transportation that enhances the quality of life for all.

Federal Transit Administration. The Federal Transit Administration (FTA) provides leadership, technical assistance, and financial resources for safe, technologically advanced public transportation that enhances mobility and accessibility, improves America's communities, preserves the natural environment, advances economic growth, and ensures that transit systems are prepared to function during and after criminal or terrorist attack.

Maritime Administration. The Maritime Administration's (MARAD) mission is to promote the development and maintenance of an adequate, well-balanced U.S. merchant marine that is sufficient to carry the Nation's domestic waterborne commerce and a substantial portion of its waterborne foreign commerce, and to serve as a naval and military auxiliary in time of war or national emergency.



National Highway Traffic Safety Administration. The National Highway Traffic Safety Administration's (NHTSA) mission is to save lives, prevent injuries and reduce economic costs due to road traffic crashes through education, research, safety standards, and enforcement activity.

Office of Inspector General. The Inspector General Act of 1978, as amended, established the Office of Inspector General (OIG) as an independent and objective organization within the DOT. The OIG's mission is to promote economy, effectiveness, and efficiency and to prevent and detect fraud, waste, and abuse in DOT operations and programs by conducting and supervising independent and objective audits and investigations.

Pipeline and Hazardous Materials Safety Administration. The Pipeline and Hazardous Materials Safety Administration (PHMSA) is dedicated to safety and security by working toward the elimination of transportation-related deaths and injuries in hazardous materials and pipeline transportation, and by promoting transportation solutions that enhance communities and protect the natural environment.

Research and Innovative Technology Administration. The Research and Innovative Technology Administration (RITA) is dedicated solely to the advancement of DOT priorities for innovation and research in transportation technologies and concepts. Innovations that will improve our mobility, promote economic growth, and ultimately deliver a better integrated transportation system.

Saint Lawrence Seaway Development Corporation. The U.S. Saint Lawrence Seaway Development Corporation (SLSDC), a wholly owned government corporation and an OA of DOT, is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie.

Surface Transportation Board. The Surface Transportation Board (STB) is charged with promoting substantive and procedural regulatory reform in the economic regulation of surface transportation, and with providing an efficient and effective forum for the resolution of disputes and the facilitation of appropriate business transactions.

FINANCIAL HIGHLIGHTS

Preparing these statements is part of the Department's goal to improve financial management and to provide accurate and reliable information that is useful for assessing financial performance. Departmental management is responsible for the integrity and objectivity of the financial information presented in the financial statements.

The financial statements and financial data presented in this Report have been prepared from the accounting records of the DOT in conformity with generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The American Recovery and Reinvestment Act of 2009 (ARRA or the Recovery Act) provided the Department an additional \$48 billion. In addition to the Recovery Act the Department received an additional \$3 billion for the Car Allowance Rebate System (CARS) program. The funding from these additional programs has caused significant fluctuations on certain line items in the financial statements when comparing FY 2009 to FY 2008.

OVERVIEW OF FINANCIAL POSITION

Assets

The Consolidated Balance Sheet shows the Department had total assets of \$101.5 billion at the end of FY 2009. This represents a 65 percent increase over the previous year's total assets of \$61.3 billion. The largest increase of \$40.6 billion was the Fund Balance with Treasury. This increase is consistent with the additional funding from the Recovery Act and CARS programs.

The Department's assets reflected in the Consolidated Balance Sheet are summarized in the following table.

ASSETS BY TYPE

Dollars in Thousands	2009	%	2008	%
Fund Balance with Treasury	\$62,685,783	61.7	\$22,074,754	36
Investments	20,684,481	20.4	21,728,238	35.4
General Property, Plant & Equipment	14,439,603	14.2	14,512,568	23.6
Inventory and Related Property, Net	797,310	.8	802,368	1.3
Direct Loans and Guarantees, Net	2,219,298	2.2	1,670,284	2.7
Accounts Receivable	384,754	.4	303,490	0.5
Cash and Other Assets	294,830	.3	276,082	0.5
Total Assets	\$101,506,059	100.0	\$61,367,784	100.0

Liabilities

The Department had total liabilities of \$16.9 billion at the end of FY 2009. This represents a 14 percent increase from the previous year's total liabilities of \$14.8 billion, which is reported on the Consolidated Balance Sheet and summarized in the following table. The largest increases were in the Grant Accrual which reflects changes in grantee payment patterns and the effects of the Recovery Act, and debt which is attributed to additional loans made on the Transportation Infrastructure Finance and Innovation Act (TIFIA) program.

LIABILITIES BY TYPE

Dollars in Thousands	2009	%	2008	%
Grant Accrual	\$6,769,814	40.0	\$5,810,147	39.2
Other Liabilities	4,444,553	26.3	4,628,380	31.2
Accounts Payable	1,732,168	10.2	1,528,335	10.3
Environmental and Disposal Liabilities	1,195,249	7.1	828,757	5.6
Debt	2,478,348	14.6	1,762,985	12.0
Loan Guarantees	310,710	1.8	258,050	1.7
Total Liabilities	\$16,930,842	100.0	\$14,816,654	100.0

Net Position

The Department's Net Position at the end of FY 2009 on the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position is \$84.5 billion, an 82 percent increase from the previous fiscal year total net position of \$46.5 billion. These increases were due to the ARRA and CARS programs. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

RESULTS OF OPERATIONS

The results of operations are reported in the Consolidated Statement of Net Cost and the Consolidated Statement of Changes in Net Position.

Net Costs

The Department's total net cost of operations for FY 2009 was \$75.2 billion.

NET COSTS

Dollars in Thousands	2009	%	2008	%
Surface Transportation	\$57,597,654	76.4	\$50,153,011	75.7
Air Transportation	16,288,922	21.6	15,532,121	23.4
Maritime Transportation	728,687	1.0	215,079	0.30
Costs Not Assigned to Programs	366,041	0.5	386,130	0.60
Less Earned Revenues Not Attributed to Programs	10,708	0.001	39,379	0.05
Cross-Cutting Programs	327,208	0.4	23,501	0.04
Net Cost of Operations	\$75,297,804	100.00	\$66,270,463	100.00

Surface and air costs represent 98 percent of the Department's net cost of operations. Surface transportation program costs represent the largest investment for the Department at 76.4 percent of the Department's net cost of operations. Air transportation is the next largest investment for the Department at 21.6 percent of the Department's net cost of operations. The increases in Net Cost are attributed to the Surface and Air Programs and additional Recovery Act and CARS funding.

RESOURCES

Budgetary Resources

The Combined Statement of Budgetary Resources provides information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For the 2009 fiscal year, the Department had total budgetary resources of \$175.6 billion, compared to the FY 2008 levels of \$133.7 billion.

RESOURCES

Dollars in Thousands	2009	2008	% Change
Total Budgetary Resources	\$175,644,291	\$133,717,556	31.4
Obligations Incurred	\$117,386,471	\$87,670,373	33.9
Net Outlays	\$80,881,011	\$73,864,953	9.5

Budget Authority of \$186.4 billion – which consists of \$128 billion of appropriations received and \$58.4 billion of borrowing and contract authority. The Department incurred obligations of \$117 billion for FY 2009, a 33.9 percent increase over the \$87.6 billion of obligations incurred during FY 2008. These changes are due to additional appropriations received for the Recovery Act and CARS.

Outlays reflect the actual cash disbursed against the Department's obligations. For the FY 2009, the Department had net outlays of \$80.8 billion, compared to the FY 2008 levels of \$73.8 billion, an increase of 9.5 percent. The increase is due to the Recovery Act and CARS programs. Due to the timing of the Recovery Act program, in FY 2010, net outlays should increase significantly as the program matures.

HERITAGE ASSETS AND STEWARDSHIP LAND INFORMATION

Heritage assets are property, plant and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics.

Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with items of general property, plant and equipment.

The Department's Heritage assets consist of artifacts, museum and other collections, and buildings and structures. The artifacts and museum and other collections are those of the

Maritime Administration. Buildings and structures include Union Station (rail station) in Washington, D.C., which is titled to the Federal Railroad Administration.

The Department holds transportation investments (Stewardship Land) through grant programs such as the Federal Aid Highways, mass transit capital investment assistance, and project grants for airport planning and development.

Financial information for Heritage assets and Stewardship Land is presented in the Financial Section of this Report under the Financial Statements and Required Supplementary Information.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Department of Transportation, pursuant to the requirements of 31 U.S.C. 3515 (b).

These statements have been prepared from the books and records of the Department of Transportation in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

The FMFIA requires agencies to conduct an annual evaluation of its management controls and financial systems and report the results to the President and Congress. The Secretary of Transportation then prepares an annual Statement of Assurance based on these internal evaluations.

As a subset of the FMFIA Statement of Assurance, DOT is required to report on the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. A separate discussion on Appendix A is located at the end of this section.

The Secretary of Transportation has provided the President and Congress an unqualified Statement of Assurance for FY 2009. The Department evaluated its management control systems and financial management systems for the fiscal year ending September 30, 2009. This evaluation provided reasonable assurance and formed the basis of the Secretary's Statement of Assurance that the objectives of the FMFIA were achieved in FY 2009.

FMFIA ANNUAL ASSURANCE PROCESS

The FMFIA review is an agency self-assessment of the adequacy of financial controls in all areas of the Department's operations – program, administrative, and financial management.

Objectives of Control Mechanisms

1. Financial and other resources are safeguarded from unauthorized use or disposition.
2. Transactions are executed in accordance with authorizations.
3. Records and reports are reliable.
4. Applicable laws, regulations, and policies are observed.
5. Resources are efficiently and effectively managed.
6. Financial systems conform to government-wide standards.

Managers within the Department, being in the best position to know and understand the nature of the problems they face, establish appropriate control mechanisms to ensure Departmental resources are sufficiently protected from fraud, waste, and abuse, and to

meet the intent and requirements of the FMFIA. The head of each Operating Administration and Departmental office submits an annual statement of assurance representing the overall adequacy and effectiveness of management controls within the organization to the Department's Office of Financial Management. FMFIA material weaknesses and material nonconformances are also reported, citing milestones and/or accomplishments. Specific guidance for completing the end of fiscal year assurance statement and reporting on material deficiencies is issued annually by the Department's Office of Financial Management.

CRITERIA FOR REPORTING MATERIAL WEAKNESSES AND NONCONFORMANCES

A material weakness under FMFIA must fall into one or more of the categories below plus merit the attention of the Executive Office of the President and/or the relevant Congressional oversight committees.

Criteria for Reporting a Material Weakness

1. Significant weakness of the safeguards (controls) against waste, loss, unauthorized use or misappropriation of funds, property, or other assets.
2. Violates statutory authority, or results in a conflict of interest.
3. Deprives the public of significant services, or seriously affects safety or the environment.
4. Impairs significantly the fulfillment of the agency's mission.
5. Would result in significant adverse effects on the credibility of the agency.

A material nonconformance under FMFIA must fall into one or more of the categories below plus merit the attention of the Executive Office of the President or the relevant Congressional oversight committees.

Criteria for Reporting a Material Nonconformance

1. Prevent the primary accounting system from centrally controlling financial transactions and resource balances.
2. Prevent compliance of the primary accounting system, subsidiary system, or program system under the Office of Management and Budget Circular A-127.

SUMMARY OF FY 2009 FMFIA MATERIAL WEAKNESSES

Status of Internal Controls (FMFIA Section 2)

The DOT is reporting no material weaknesses for FY 2009.

Status of Financial Management Systems (FMFIA, Section 4)

The DOT is reporting no material weaknesses for FY 2009.

APPENDIX A, INTERNAL CONTROLS OVER FINANCIAL REPORTING

Appendix A of OMB Circular A-123 emphasizes management's responsibility for establishing and maintaining effective internal control over financial reporting. Appendix A requires agencies to maintain documentation of the controls in place and of the assessment process and methodology management used to support its assertion as to the effectiveness of internal control over financial reporting. Agencies are also required to test the controls in place as part of the overall FMFIA assessment process. The assurance statement related to the assessment performed under Appendix A acts as a subset of the Overall Statement of Assurance reported pursuant to Section 2 of the FMFIA legislation. Management's assurance statement as it relates to Appendix A is based on the controls in place as of June 30. The assurance statement is located in the following section of this report.

DOT is reporting an unqualified assurance statement on internal controls over financial reporting. DOT performed in-depth testing of the controls over four focus area business processes for each Operating Administration (OA) including Time and Attendance/Human Resources; Budget; Inventory Management and Property, Plant and Equipment. Additional testing of high-risk key controls from the remaining ten non-focus area business processes was performed for OAs whose transactions are material to the Department-wide financial statements.

MANAGEMENT ASSURANCES – OMB CIRCULAR A-123



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590
November 12, 2009

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to provide unqualified assurance statements that the Department of Transportation (DOT) maintains internal control over operations and compliance as well as internal controls over financial reporting.

The management of DOT is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of both the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*. These objectives are to ensure: 1) effective and efficient operations; 2) compliance with applicable laws and regulations; and 3) reliable financial reporting. This report is based on our successful implementation under the FMFIA, OMB Circular A-123, *Management's Responsibility for Internal Control*, OMB Office of Federal Procurement Policy's (OFPP) Acquisition Assessment, and the American Recovery and Reinvestment Act of 2009 (ARRA).

The FMFIA holds Federal managers accountable for establishing and maintaining effective internal controls and financial systems. All DOT organizations are subject to Sections 2 and 4 of the FMFIA except the Saint Lawrence Seaway Development Corporation, which reports separately under the Government Corporations Control Act.

Assurance for Internal Control over Operations and Compliance

DOT is able to make an unqualified statement of assurance that the internal controls and financial management systems meet the objectives of both Sections 2 and 4 of the FMFIA, with the exception of one noted instance of noncompliance with laws and regulations reported under Section 2. This relates to a violation of the Anti-Deficiency Act by the Maritime Administration's (MARAD) United States Merchant Marine

improve the Academy's internal control. Other than this noted exception, DOT's internal controls were operating effectively and no material weaknesses were found in the design or operation of the internal control system.

The Department is also pleased to report the resolution of the Section 2 material weakness reported in FY 2008, which concerned noncompliance with Federal Information Security Management Act (FISMA of 2002), and with OMB requirements

for security information systems and providing privacy protection of personally identifiable information during FY 2009.

Assurance for Internal Controls over Financial Reporting (OMB A-123, Appendix A)

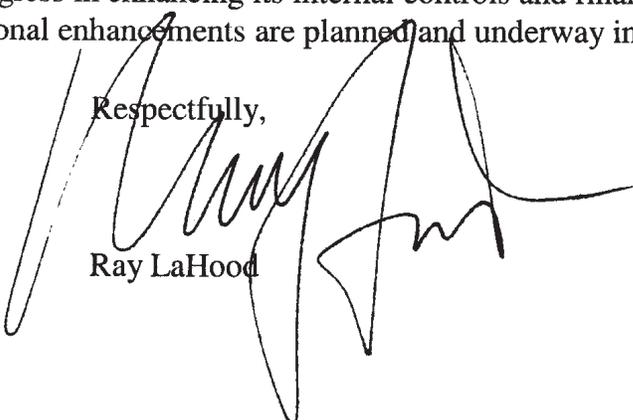
During FY 2009, DOT conducted an assessment of the effectiveness of internal controls over financial reporting, including the safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. Based on the results of the Appendix A evaluation, DOT is reporting an unqualified statement of assurance.

Lastly, in accordance with guidance from the Office of Federal Procurement Policy (OFPP) and OMB Circular A-123, the DOT Office of Senior Procurement Executive (OSPE) developed a three year assessment reporting cycle of DOT's acquisition offices. In FY 2009, the Senior Procurement Executive reviewed 30 percent of DOT's operating administrations' component acquisition offices.

DOT has made substantial progress in enhancing its internal controls and financial management program. Additional enhancements are planned and underway in FY 2010.

Respectfully,

Ray LaHood



FFMIA OF 1996 FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The Secretary has determined that our financial management systems were in substantial compliance with the Federal Financial Management Improvement Act for FY2009. In making this determination, he considered all the information available, including the auditor's opinion on our FY 2009 financial statements, the report on management's assertion about the effectiveness of internal controls, and the report on compliance with laws and regulations. He also considered the results of the management control reviews and financial management systems reviews conducted by the agency and its independent contractors.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies' financial management systems provide reliable financial data in accordance with generally accepted accounting principles and standards. Under FFMIA, financial management systems must substantially comply with three requirements – Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL). In addition, agencies must determine annually whether their systems meet these requirements. This determination is to be made no later than 120 days after the earlier of (a) the date of receipt of the agency-wide audited financial statement, or (b) the last day of the fiscal year following the year covered by such statement.

Management conducted its assessment of the effectiveness of internal controls over financial systems and compliance with applicable laws and regulations in accordance with FFMIA guidance, OMB Circular A-127, Financial Management Systems, results of OIG and GAO audit reports, annual financial statement audits, the Department's annual Federal Information Security Management Act (FISMA) Report, and other relevant information. Based on the results of DOT's internal control assessment, no material weaknesses were identified in 2009.

DOT uses Oracle Federal Financials software as its agency-wide financial management and accounting system of record (called Delphi). DOT was the first – and remains the only – cabinet agency to migrate all of its Operating Administrations (OAs) to a Financial Systems Integration Office (FSIO)-certified, commercial off-the-shelf based financial system. The Oracle system provides real time access to accounting information and fund availability. The consolidation of accounting activities using one financial system improves internal controls, reduces redundant processes, improves communications, gains efficiencies, as well as provides monitoring and control of Federal accounting standards and financial policies.

In FY 2009, DOT implemented enhancements to its standardized release schedule for installing Delphi patches, enhancements, and upgrades. The Office of Financial Management (OFM) Financial Systems Team and the Enterprise Services Center (ESC) Delphi Team worked with our customer base to identify, develop, test and coordinate six separate Delphi system release deliverables in FY 2009. All hardware and software releases continued to be decoupled so that technical infrastructure and application changes were included in separate releases. This release schedule assures more complete testing of patches and enhancements and continues to improve our communication and understanding of changes made to the system.

During FY 2008, DOT launched a financial management modernization initiative to upgrade its' current financial management system software from Oracle Release 11i to Oracle Release 12. In order to take advantage of the enhanced functionality offered in Release 12, DOT's Office of Financial Management, in partnership with the Departmental financial community, has decided to use this opportunity to not only upgrade the system software but to upgrade (re-engineer) the current financial management business processes as well. This multiple year, Department-wide program has been established to facilitate an efficient and effective financial transformation and Oracle Release 12 implementation. This program is called the Financial Management Business Transformation (FMBT). The FMBT is led by the DOT's Office of Financial Management and includes Department-wide executive sponsorship.

In FY2009 DOT implemented the Delphi System Change Request (SCR) process. The updated SCR Request document has been modified into a standardized Business Case Document that is used by all OAs, ESC and OFM. These changes to the SCR process have helped to ensure that all organizations have early visibility of all SCR's scheduled releases, and support the customers prioritization of business cases. In FY2009 OFM and ESC continued to work on further enhancements to the SCR process to further refine the process and improve efficiency. Further changes to the overall SCR process will be implemented in FY2010.

In FY2009 OFM, ESC and the OST Chief Information Officer's (OCIO) staff worked together to enhance the processes and controls around the budget data call process. The enhanced budget call and monitoring processes have strengthened both internal DOT management reporting as well as OMB Exhibits 300 and 53 reporting requirements. Initial work has begun on earned value measurements (EVM) to better manage and control costs of the FMBT initiative. Final reporting protocols are currently being developed by the DOT Office of the Chief Information Office (OCIO) based on final OMB guidance and will be fully implemented in early FY2010.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT

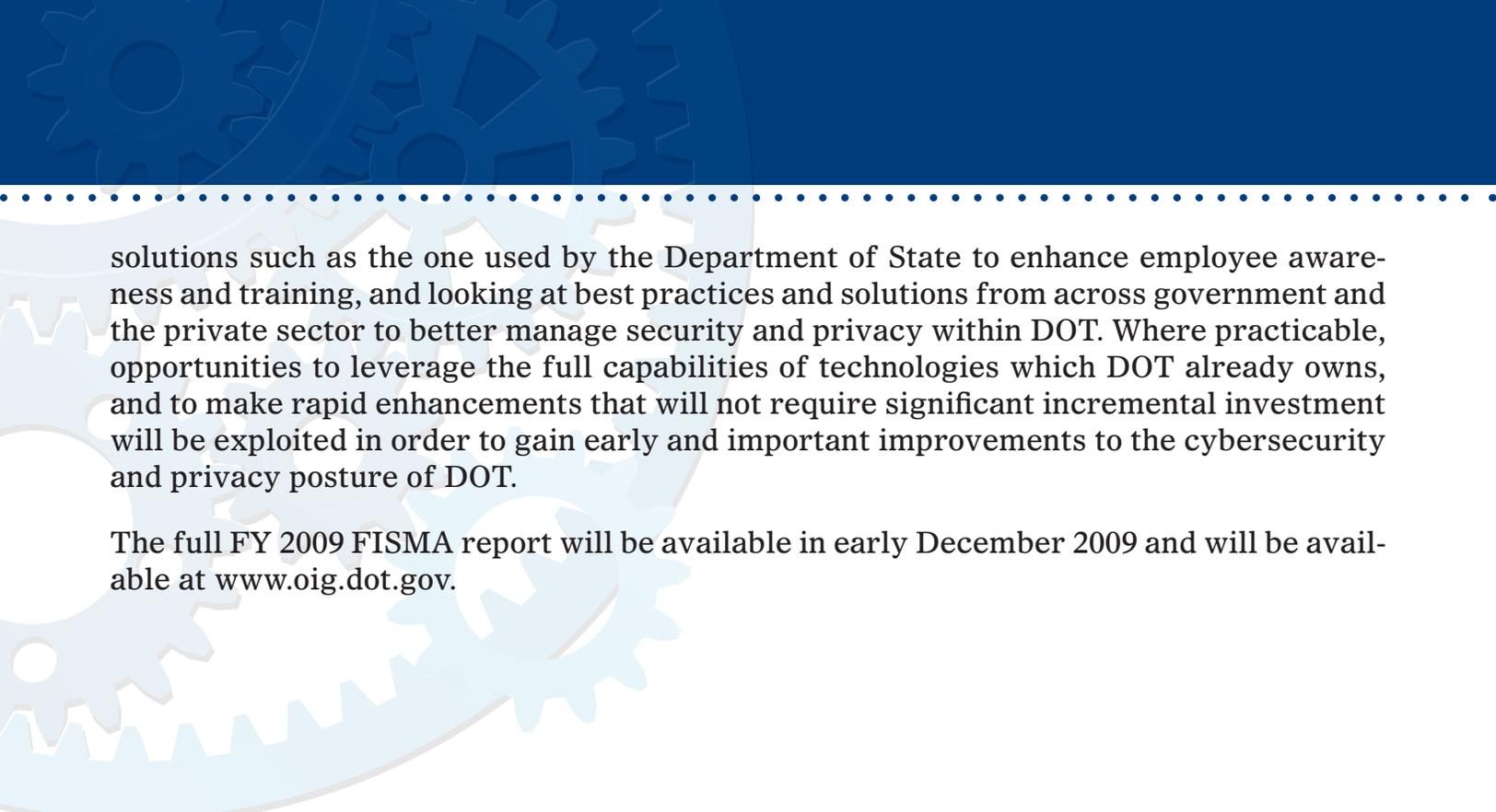
The Federal Information Security Management Act (FISMA) requires federal agencies to identify and provide security protection commensurate with the risk and magnitude of potential harm resulting from the loss, misuse of, unauthorized access to, disclosure of, disruption to, or modification of information collected, maintained by or on behalf of the an agency. FISMA requires that Inspectors General evaluate agency information security programs and practices. The DOT FISMA report for FY 2009 will not be finalized until November 18, 2009.

The DOT has 13 Operating Administrations that for Fiscal Year 2009 supported a total of more than 400 information systems, of which almost two thirds belong to the Federal Aviation Administration (FAA). Systems owned by the Department include national critical infrastructure such as the FAA air traffic control systems, safety-sensitive surface transportation systems and financial systems that are used to manage and disburse over \$50 billion in Federal funds each year,

Last year, the DOT OIG reported that the DOT's information security program did not meet Federal IT security standards and made 27 specific recommendations to improve DOT's controls. DOT has made improvements this year by issuing security policies that addresses all of National Institute of Standards and Technology (NIST) core information security control areas. Also, DOT significantly improved its common operating environment's compliance with Federal Desktop Core Configuration (FDCC) which complies with an OMB mandate that requires all federal agencies standardize their desktop and laptop computer configuration settings.

DOT operating administrations still need to make progress in other critical areas, including, that all operating and database systems implement approved baseline configurations. Also required is the need for better identification and prioritization of security weaknesses. Additionally, DOT system owners need to ensure that all systems and their interfaces have proper certification and accreditation, and system recovery controls in the event of a disruption. Completion of protections for sensitive privacy information was also identified as a key area for corrective action.

The DOT CIO has initiated efforts to enhance the cybersecurity and privacy program and posture of DOT. With the support of the Deputy Secretary, the DOT CIO is developing a cybersecurity and privacy plan for DOT, working to establish sustainable metrics to measure performance and improvement across DOT, evaluating alternative training



solutions such as the one used by the Department of State to enhance employee awareness and training, and looking at best practices and solutions from across government and the private sector to better manage security and privacy within DOT. Where practicable, opportunities to leverage the full capabilities of technologies which DOT already owns, and to make rapid enhancements that will not require significant incremental investment will be exploited in order to gain early and important improvements to the cybersecurity and privacy posture of DOT.

The full FY 2009 FISMA report will be available in early December 2009 and will be available at www.oig.dot.gov.

SAS-70 REVIEW ON DOT'S FINANCIAL MANAGEMENT SYSTEM

The SAS-70 report summarized the results of a review of general, application, and operational controls over the DOT Enterprise Services Center (ESC). The ESC performs services including accounting; financial management; systems and implementation; media solutions; telecommunications; and data center services for DOT and other Federal organizations.

This is the fifth year that a SAS-70 audit has been conducted on DOT's Delphi financial system. The ESC provides accounting and financial management systems and services for DOT and other Federal agencies. Delphi is hosted, operated and maintained by Federal Aviation Administration employees at the Mike Monroney Aeronautical Center in Oklahoma City, OK, under the overall direction of the Chief Financial Officer.

ESC is one of four Federal Shared Service Providers designated by the Office of Management and Budget to provide financial management systems and services to other government agencies. ESC supports other Federal entities, including the National Endowment for the Arts, the Commodity and Futures Trading Commission, The Institute of Museum and Library Services, and the Government Accountability Office. The Office of Management and Budget requires Shared Service Providers to provide client agencies with an independent audit report in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Auditing Standards (SAS) 70.

This year's SAS-70 audit of Delphi was conducted by Clifton Gunderson, LLP of Calverton, MD. Clifton Gunderson concluded that management presented its description of ESC controls fairly in all material respects, and that the controls, as described, were suitably designed for all stated control objectives. With regard to implementation, Clifton Gunderson found that the tested controls were operating with sufficient effectiveness to provide reasonable, but not absolute, assurance that the control objectives specified by management were achieved from October 1, 2008, through June 30, 2009. Clifton Gunderson made recommendations to correct these control deficiencies.

Clifton Gunderson made additional recommendations to DOT management for improving controls in service continuity, configuration management, security management, and other areas. We agree that implementing these recommendations will further enhance



controls over ESC operations. In accordance with DOT Order 8000.1C, the corrective actions taken in response to Clifton Gunderson's recommendations are subject to audit follow-up. Clifton Gunderson performed additional testing and provided a follow-up management letter to OIG on September 30, 2009, reporting no significant changes to the control environment between July 1, 2009, and September 30, 2009. Clifton Gunderson's follow-up letter did not include any further corrective actions.

IMPROPER PAYMENTS INFORMATION ACT OF 2002

In FY 2009, the Department fully implemented the Improper Payments Information Act of 2002 (IPIA), which requires that agencies (1) review and identify programs susceptible to significant improper payments, (2) report to Congress the amount, and causes of, improper payments, and (3) develop approaches for reducing improper payments.

As part of the IPIA review, the Department successfully examined the following grant programs:

- Federal Highway Administration (FHWA) Federal-aid Highway Program
- Federal Aviation Administration (FAA) Airport Improvement Program
- Federal Transit Administration (FTA) Formula Grants Program
- Federal Transit Administration Capital Investment Grants Program

In an effort to adhere to IPIA requirements, the Department re-engaged AOC Solutions, Inc. to develop a nationwide sampling plan, test sampled invoice line items for improprieties, and extrapolated a nationwide estimate of improper payments for FAA's Airport Improvement Program. Separately, the Department awarded a new contract to Deloitte & Touche, LLP to likewise sample line items, test transactions, and extrapolate improper payment estimates for both FHWA and FTA's major grant programs.

Relative to FY 2008, and in direct response to the Office of the Inspector General's (OIG) recommendations, the Department increased the number of tested line items by a margin exceeding 120%. Additionally, to ensure both sample validity and the accuracy of extrapolated programmatic improper payment estimates, the Department collaborated closely with OIG's Statistical Advisor to develop a sampling methodology mutually agreed upon by both parties.

Regarding transaction testing, the Department designed all test plans, specific to each Operating Administration, to scrutinize a range of administrative and contractual elements related to each invoice line item. Testing of administrative elements includes determining whether grantees properly approved payments, billed at the correct Federal participation rate, and determining whether billings and payments are mathematically accurate. Testing of contractual elements includes determining whether payments are in accordance with contract rates/prices for specified materials and whether material quality tests indicate materials' compliance with contractual requirements.

Samples for all reviewed grant programs are of sufficient size to yield an estimate with a minimum 90 percent confidence interval within 2.5 percentage points above and below the estimated percentage of erroneous payments, as prescribed by OMB. The following sections discuss the results of these efforts.

FHWA Federal-aid Highway Program

The Department developed and executed a sampling methodology and test plan to review project payments and estimate the dollar amount of the Federal-aid Highway Program's improper payments. FHWA executed the nationwide testing program using FHWA division office personnel. The sample of tested line items originated from Federal disbursements to grantees within the thirteen-month period March 1, 2008 through March 31, 2009.

The IPIA sampling methodology involved a multi-staged statistical approach that included the selection of 160 Federal disbursements totaling \$553,887,169, and 320 line items, from supporting invoices, totaling \$220,709,656. As in FY 2008, the Department designed the FY 2009 sample to extrapolate a nationwide estimate of improper payments and this sample does not support an estimate for individual states or territory grantees. FHWA normally subjects states and territories not selected as part of the IPIA sample to a similar sampling and testing process under FHWA's annual Financial Integrity Review and Evaluation (FIRE) program but due to the short 2009 test period this was not done. FHWA plans to resume FIRE IPIA testing in FY 2010.

After accounting for duplicate line items, improper payments totaling \$16,317,015 were found in the sample of 286 unique tested items. The projection of known improper payments to the population of program payments for the thirteen-month period results in an improper payment estimate of \$1,415.8 million +/- \$72.7 million. The estimated improper payment rate is 3.5% +/- 0.2%. This projection meets OMB's definition of significant improper payments (\$10 million and 2.5 percent of total program payments).

Reported improper payments result primarily from a lack of supporting documentation at the time of the review, including documentation supporting compliance with "Buy America" provisions.

FHWA, in coordination with DOT's Office of Financial Management, will develop and distribute a Best Practices Guide for grantees in an effort to work towards a reduced programmatic improper payment rate. Furthermore, FHWA will continue to review for improper payments within its FIRE Program which ensures all grantees, including grantees not included as part of the Improper Payments Information Act of 2002 sample, test for improper payments annually. Additionally, FHWA will advise grantees regarding the importance of proper documentation maintenance for programmatic reviews and audits.

FTA Formula Grants Program

FTA executed the nationwide testing program using contractor personnel. The sample of tested line items originated from Federal disbursements to grantees within the thirteen-month period March 1, 2008 through March 31, 2009.

The IPIA sampling methodology involved a multi-staged statistical approach that included the selection of 55 Federal disbursements totaling \$288,594,074, and 110 line items, from supporting invoices, totaling \$35,514,957. As in FY 2008, the Department designed the FY 2009 sample to extrapolate a nationwide estimate of improper payments and this sample does not support an estimate for individual states or territory grantees.

After accounting for duplicate line items, improper payments totaling \$269,616 were found in the sample of 103 unique tested items. The projection of known improper payments to the population of program payments for the thirteen-month period results in an improper payment estimate of \$3.6 million \pm \$9.7 million. The estimated improper payment rate is 0.2% \pm 0.5%. This projection does not meet OMB's definition of significant improper payments (\$10 million and 2.5 percent of total program payments).

Reported improper payments result primarily from a lack of supporting documentation at the time of the review, including documentation supporting compliance with "Buy America" provisions.

FTA, in coordination with DOT's Office of Financial Management, will develop and distribute a Best Practices Guide for grantees in an effort to work towards a reduced programmatic improper payment rate. Furthermore, FTA will advise grantees regarding the importance of proper documentation maintenance for programmatic reviews and audits.

FTA Capital Investment Grants Program

FTA executed the nationwide testing program using contractor personnel. The sample of tested line items originated from Federal disbursements to grantees within the thirteen-month period March 1, 2008 through March 31, 2009.

The IPIA sampling methodology involved a multi-staged statistical approach that included the selection of 55 Federal disbursements totaling \$316,851,880, and 110 line items, from supporting invoices, totaling \$230,072,534. As in FY 2008, the Department designed the FY 2009 sample to extrapolate a nationwide estimate of improper payments and this sample does not support an estimate for individual states or territory grantees.

After accounting for duplicate line items, improper payments totaling \$1,879,124 were found in the sample of 90 unique tested items. The projection of known improper payments to the population of program payments for the thirteen-month period results in an improper payment estimate of \$17.4 million +/- \$26.7 million. The estimated improper payment rate is 0.9% +/- 1.4%. This projection does not meet OMB's definition of significant improper payments (\$10 million and 2.5 percent of total program payments).

Reported improper payments result primarily from a lack of supporting documentation at the time of the review, including documentation supporting compliance with "Buy America" provisions.

FTA, in coordination with DOT's Office of Financial Management, will develop and distribute a Best Practices Guide for grantees in an effort to work towards a reduced programmatic improper payment rate. Furthermore, FTA will advise grantees regarding the importance of proper documentation maintenance for programmatic reviews and audits.

FAA Airport Improvement Program (AIP)

FAA executed the nationwide testing program using contractor personnel. The sample of tested line items originated from Federal disbursements to grantees within the fifteen-month period March 1, 2008 through May 31, 2009.

The IPIA sampling methodology involved a multi-staged statistical approach that included the selection of 225 Federal disbursements totaling \$531,342,399, and 431 testable line items, from supporting invoices, totaling \$177,123,002. As in FY 2008, the Department designed the FY 2009 sample to extrapolate a nationwide estimate of improper payments and this sample does not support an estimate for individual states or territory grantees.

Improper payments totaling \$2,152,202 were found in the sample of 431 tested items. The projection of known improper payments to the population of program payments for the fifteen-month period results in an improper payment estimate of \$37.8 million +/- \$31.1 million. The estimated improper payment rate is 0.8% +/- 0.7%. This projection does not meet OMB's definition of significant improper payments (\$10 million and 2.5 percent of total program payments).

Reported improper payments result primarily from a lack of supporting documentation, including documentation supporting compliance with "Buy America" provisions.

Performance & Accountability Report FY2009

FAA, in coordination with DOT's Office of Financial Management, will develop and distribute a Best Practices Guide for grantees in an effort to work towards a reduced programmatic improper payment rate. Notwithstanding OMB's definition of significant improper payments, FAA believes a corrective action plan is essential to improved AIP program management, as well as the prevention, detection, and reduction of improper payments within the AIP program.

PROGRAM	PY OUTLAYS (M)	PY%	PY\$ (M)	CY OUTLAYS (M)	CY IP%	CY IP\$ (M)	CY+1 EST. OUTLAYS (M)	CY+1 IP%	CY+1 IP\$ (M)	CY+2 EST. OUTLAYS (M)	CY+2 IP%	CY+2 IP\$ (M)	CY+3 EST. OUTLAYS (M)	CY+3 IP%	CY+3 IP\$ (M)
FAA Airport Improvement Program	N/A	N/A	N/A	\$4725	0.8%	\$37.8	\$3496	0.8%	\$28.0	\$4498	0.8%	\$28.0	\$3310	0.8%	\$26.5
FHWA Highway Planning / Construction	N/A	N/A	N/A	\$40442	3.5%	\$1415.8	\$40351	2.4%	\$968.4	\$41485	2.0%	\$829.7	\$42109	1.5%	\$631.6
FTA Capital Investment Grants Program	N/A	N/A	N/A	\$1933	0.9%	\$17.4	\$2505	0.9%	\$22.5	\$2361	0.9%	\$21.2	\$2290	0.9%	\$20.6
FTA Formula Grants Program	N/A	N/A	N/A	\$1880	0.2%	\$3.6	\$582	0.2%	\$1.2	\$317	0.2%	\$0.6	\$152	0.2%	\$0.3

Recovery Audit

DOT's Recovery Auditor, Horn and Associates, worked to both recover identified departmental overpayments, and identify departmental payment process weaknesses. DOT granted Horn and Associates full access to the Department's financial system in order for Horn and Associates to efficiently and effectively review payment records.

The Recovery Auditor did not uncover or identify any departmental systemic payment process weaknesses as overpayments resulted from individual cases of duplicate payments, prompt payment interest payment errors, sales tax on utility billings, and open credits on statements.

Agency Component	Amount Subject to Review for CY Reporting	Amounts Identified for Possible Recovery	Amounts Identified For Recovery	Amounts Recovered CY	Amounts Recovered PY
TOTAL	30,548,345,802	252,534,549	1,067,271	533,098	172,959

DOT'S FINANCIAL MANAGEMENT BUSINESS TRANSFORMATION INITIATIVE

The Department is fully committed to enhancing and integrating our budget, performance, and financial management programs during FY 2009, FY 2010, and beyond. The Financial Management Business Transformation (FMBT) is a multi year initiative, sponsored by the Office of Financial Management, that is chartered with achieving our vision:

“To be the government leader in Financial Management utilizing quality people, processes, and technology in delivering a single integrated solution to support DOT’s mission by using streamlined business processes while ensuring financial integrity.”

The FMBT is a collaborative endeavor supported by and involving all DOT Operating Administrations that seeks to accomplish significant improvement in the standardization of processes, reports, policies, and systems. The following key objectives were identified for our joint FMBT project:

- Alignment of resources to conduct business process reengineering and system modernization into a unified, focused strategy.
- Elimination of redundancies in business processes, systems and overhead costs.
- Renewed focus on customer centric solutions with improved collaboration and communication.
- Improved efficiency to provide greater value for agencies’ limited resources.
- Continued compliance to Financial Systems Integration Office (FSIO) mandates to upgrade systems to the most recent FSIO certified software.
- Meet the business process, data element and system standardization requirements set forth by the Office of Management and Budget (OMB) and Treasury

To accomplish these key objectives FMBT leadership established teams, refined in FY 2009, to include the Project Management Team, Change Management and Learning Team, Information Management Team, Systems Team, and Business Process Transformation Team. The Project Management Office was established in FY 2009 to improve this project’s organizational structure and worked diligently throughout the year to develop and implement a comprehensive project plan and schedule for FY 2009 and FY 2010 and track progress against defined transformation tasks, activities, and milestones.

The Department is entering a critical phase of the Business Transformation initiative as FY 2010 begins. Each team has identified and is securing the necessary resources to continue to proceed on key activities. Core teams have been established, Operating Administration resources are engaged, and work proceeds towards standardization, process improvement, and systems planning for the transition to a FSIO-compliant financial management system.

INSPECTOR GENERAL'S FY 2009 TOP MANAGEMENT CHALLENGES

DEPARTMENT OF TRANSPORTATION OFFICE OF INSPECTOR GENERAL APPROACH

The Office of Inspector General (OIG) issues its annual report on DOT's top management challenges to provide a forward-looking assessment for the coming fiscal year. The purpose of the report is to aid DOT's agencies in focusing attention on and mapping work strategies for the most serious management and performance issues facing the Department.

In selecting the challenges for each year's list, the OIG continually focuses on the Department's key strategic goals to improve transportation safety, capacity, and efficiency. In addition to the OIG's vigilant oversight of DOT programs, budgetary issues, and progress milestones, it also draws from several dynamic factors to identify key challenges. These include new departmental initiatives, cooperative goals with other Federal departments, recent changes in the Nation's transportation environment and industry, as well as global issues that could have implications for the United States' traveling public. As such, the challenges included on the OIG's list vary each year to reflect the most relevant issues and provide the most useful and effective oversight to DOT agencies.

As required by OMB Circular A-136, the OIG's report briefly assesses DOT's progress in addressing the challenges identified. To track management challenges identified from year to year, the OIG provides an exhibit to the report that compares the current list of management challenges with the list published the previous fiscal year. In addition, the OIG may refine the scope of the management challenge from year to year based on program developments, external factors, or other information that becomes available.

The Department recognizes that Management Challenges are not issues that are easily solved. In many cases they require investments or upgrades to technology or substantial changes in long-standing procedures or program activities. To completely address a Management Challenge may take more than one fiscal year. Since, the OIG may refine the scope of the management challenge based on information that may become available during the year; it can be difficult to provide a context showing how far along the Department is in resolving a particular challenge. To provide perspective on the Department's progress, we have provided a self assessment showing the achievements toward resolving the challenge as currently defined. The result is displayed via the Progress Meter icon. DOT hopes that this approach will provide perspective toward gauging the Department's progress in resolving a management challenge.

PAR 2009 MANAGEMENT CHALLENGES

1. Enhancing Aviation Safety and Maintaining Confidence in FAA's Ability to Provide Effective Oversight of a Rapidly Changing Industry

Issue: Maintaining Confidence in FAA's Oversight of Air Carriers and Certification and Production of New Technology and Aircraft in the Aviation Industry

I. Why is this an issue?

Airline consolidation and downsizing, as well as the introduction of new aircraft and technologies continue to dramatically change the aerospace industry. In addition, FAA must continually adapt its oversight to further enhance safety. Key challenges involve maintaining confidence in FAA's oversight of air carriers. FAA has regulatory and statutory authority to provide oversight on air carriers' safety standards. The goal of FAA's oversight responsibility is to reflect "one level of safety", requiring all air carriers to operate under the same rules and at the same level of safety.



II. Actions taken to date

Enhancing Oversight of Air Carrier Operations. The FAA has actively pursued safety program enhancements to ensure relationships with airlines are appropriate and professional and that non-compliant airlines are not avoiding penalties by using voluntary disclosure programs without addressing the underlying safety problems. Specifically, FAA has committed to enhancing the current Air Carrier Evaluation Program (ACEP) to perform periodic reviews to evaluate air carrier regulatory compliance, perform comparative analysis of ACEP data to review the effectiveness of Air Transportation Oversight System (ATOS) design and performance, and to periodically review field office compliance with ATOS policy and procedures.

- In December 2008 FAA issued Notice N 1100.322 which established the Audit and Evaluation Office under the Office of the Chief Counsel. The agency is also closely monitoring ATOS inspections that exceed frequencies for inspection and providing semi-annual reports to Congress.
- In FY 2009, FAA focused attention on the development of Flight Standard Evaluation Program (FSEP) processes and checklists to periodically assess field office compliance with ATOS policy and procedures. The FAA also developed a risk-based process to target ACEP teams to perform periodic reviews of air carrier compliance. In support of this effort, the agency developed and validated a

risk-based scheduling process that includes a scoring system and thresholds for mandating evaluations.

- FAA created FSEP job aids to assess the relationship between the certificate holding district office and the operator to assure field office compliance with agency policy.

Improving Certification and Production Oversight of New Technology and Aircraft in the Aviation Industry. Introduction of Very Light Jets (VLJ) into the National Airspace System is a key change occurring in the industry and has inherent risks. These aircraft use advanced avionics and turbine engine technology typical of large transport aircraft and are combined with the light weight of smaller, private aircraft. Therefore, they do not easily fit into FAA's existing certification framework and make the current general aviation certification requirements inadequate to address the advanced concepts introduced on the aircraft.

- In FY 2009, FAA published a Notice of Proposed Rulemaking that addresses updated certification regulations for general aviation small aircraft.
- FAA also published a revision to an Advisory Circular (AC) that addresses the emergence of turbine engine powered general aviation small aircraft.
- Additionally, FAA established a rulemaking schedule to address function and reliability testing for general aviation turbojets that weigh less than 6,000 pounds.
- In 2009, the issuance of a new Advisory Circular and coordination process provided greater standardization and improved communications between the aircraft certification service and flight standards service.

III. Actions remaining and expected completion date

FAA will pursue several activities in the next two years to address this issue.

- In early 2010 the Flight Standards Evaluation Program processes and procedures will be completed and ready for implementation shortly thereafter.
- In early FY 2010, a proposal that includes the risk-based scheduling process and recommendations for personnel and resource requirements will be presented for Flight Standards Service approval.
- In 2010, FAA will complete the internal coordination process for the general aviation turbojet certification regulations Notice of Proposed Rule Making and associated policy.
- In 2011, FAA expects completion of these regulations and implementation of the remaining policy will further this standardization and communication.

IV. Results or expected results

Although FAA has made progress over the past several years in increasing the system's safety and efficiency, FAA's goal is to actively identify and implement further safety improvements and to increase accountability for the efficient use of resources to meet oversight requirements.

Issue: Following Through on Longstanding Commitments To Improve Oversight of External Repair Facilities.

I. Why is this an issue?

FAA provides safety oversight to both air carriers and repair stations to ensure that they comply with their regulatory responsibilities. Over the last few years, air carriers have been contracting a larger percentage of their maintenance work to repair stations rather than maintaining their own facilities. In addition, U.S. certificated repair stations are frequently contracting with other vendors, both foreign and domestic, to perform maintenance functions. These factors add layers of complexity and risk to the air carriers' responsibility to oversee all maintenance done on their aircraft, by any maintenance provider. The air carrier must ensure that the repair station performs the work in accordance with the air carriers' manuals. Further, any U.S. certificated repair station, in the United States or outside, has to meet the same safety standards. If a certificated repair station contracts with another vendor to perform a function, then the repair station must make sure that the work has been satisfactorily performed.



II. Actions taken to date

FAA has strengthened air carrier maintenance policy and procedures to provide more enhanced oversight. FAA has bolstered its programs to reflect dynamic changes in the aviation industry in three specific areas of identified risk, 1) air carrier's increased use of maintenance providers or certificated repair stations; 2) need to refine and narrow the definition of "substantial" or "critical" maintenance; and 3) focus on the air carrier's Continuing Analysis and Surveillance System (CASS).

- In FY 2009, FAA began work on a major policy change that uses the term "air carrier maintenance provider" to mean anyone used by an air carrier for work on its aircraft or components. Thus, there can be no difference between the maintenance performed by an air carrier at its own facility, using its own employees, and work performed at a repair station by other persons.

- In FY 2009 FAA developed a new single definition of “essential maintenance” to replace terms used in the past such as: substantial maintenance, critical maintenance, and critical parts. FAA has defined essential maintenance and listed those particular maintenance functions in a notice due for publication in the first quarter of FY 2010.
- Air carriers will be required to list their essential maintenance providers on their operations specifications. Operations specifications are a contract that an air carrier and FAA agree upon to show how the air carrier will comply with regulations which pertain to its business.
- To improve FAA’s safety oversight of certificated repair stations and/or maintenance providers, the agency instituted a risk-based oversight system. The system provides FAA safety inspectors with the tools to ensure air carrier maintenance providers are following proper procedures. New guidance to safety inspectors will include a requirement to conduct initial audit within a predetermined time-frame and follow-up on-site inspections of air carriers’ essential maintenance providers at intervals not to exceed three calendar years. These inspections will assess whether, and to what extent, the maintenance providers comply with the air carriers’ specified procedures, and if the maintenance providers are using the appropriate equipment, tools, facilities and personnel to accomplish the work. The air carrier will be responsible for correcting any identified deficiencies.

III. Actions remaining and expected completion date

The agency is also revising a training course for FAA safety inspectors on the Continuing Analysis and Surveillance System and its requirements. The revised course material emphasizes the primary responsibility of an air carrier for the performance of any maintenance on its aircraft and includes detailed information on the concepts and methodology of risk assessment and risk management. FAA expects to deliver the revised course to the safety inspector workforce during FY 2010. In addition, FAA will continue to respond to its internal analysis, air carrier input, and new industry and technology trends and will strengthen air carrier maintenance policy and guidance as needs emerge.

IV. Results or expected results

FAA published changes to the repair station regulations, strengthening the requirements for repair stations to possess and maintain a quality control system when contracting maintenance. The improved regulatory requirements, along with our enhanced repair station oversight process, provide FAA with increased visibility of surveillance data to ensure repair station outsource maintenance activities are properly controlled by the repair stations with effective oversight by FAA.

Issue: Improving Runway Safety By Implementing New Technologies, Making Airport-Specific Changes, and Reinvigorating FAA Initiatives.

I. Why is this an issue?

Although runway incursions are down 53 percent since FY 2001, the runway environment remains one of the highest risk areas in our national airspace system. Runway incidents continue to be a substantial threat to safety and reducing the risk of potential runway incursions is one of FAA's top safety priorities. Implementing new technology holds the promise of reducing runway incursions well below current levels.



II. Actions taken to date

FAA's "Call to Action", established in FY 2007 to mitigate the continuing risk of runway incursions, has made significant progress by focusing on outreach and awareness, and improving technology and infrastructure. FAA has completed almost all of the identified short-term initiatives and exceeded the FY 2009 goal of reducing incursions by 1 percent, due in large part to the air carriers' and airport authorities' proactive role.

The majority of runway incursions (approximately 65 percent) occur when a pilot violates a regulation or fails to adhere to air traffic controller's instructions. FAA enhanced its training and education by publishing a collection of Runway Safety Videos and other promotional products to increase situational awareness in FY 2009. The runway Safety videos explore risk and prevention strategies while operating in the terminal airspace and on the surface of airports.

FAA continues to deploy new technologies to enhance runway safety. The Airport Surface Detection Equipment – Model X (ASDE-X) is a surface surveillance detection system that integrates data from a variety of sources. It provides controllers with a more reliable view of airport operations that improves situational awareness resulting in a reduction of surface deviations, the number of runway incursions, and the number of incidents or accidents. FAA has delivered twenty-eight of the thirty-five planned systems.

Runway Status Lights (RWSL), a series of runway lights that illuminate red, alert pilots when it is unsafe to enter, cross, or begin takeoff on a runway. RWLS assess any possible conflicts with surface traffic and reduce the likelihood of runway incursions. In FY 2009, RWLS are currently installed at San Diego, Dallas/Ft. Worth, and Los Angeles.

Capstone 3, launched in 2008, is a program that subsidizes air carriers for the installation of Surface Moving Map (SMM) displays on electronic flight bags in the cockpit. With

Moving Map Displays and Own-Ship Position, pilots will see exactly where their aircraft is on the airfield, thus reducing the chances of losing situational awareness and being in the wrong place. In FY 2009, FAA reached agreements with seven U.S. airlines to fund in-cockpit runway safety systems in exchange for critical operational data. The data will help FAA evaluate the safety impact of the technology and is expected to accelerate key safety capabilities necessary for the transition to NextGen.

The Low Cost Ground Surveillance is a low-cost, commercially available radar surveillance system that would reduce the risk of runway incursions, especially during periods of low visibility, at certain small and medium-sized airports. FAA will install these systems at airports that do not have Airport Surface Detection Equipment. In FY 2009, FAA completed the pilot program at Spokane International Airport, Washington and the results show the system is suitable and cost-effective. Contracts have been awarded to install LCGS at Manchester Boston Regional, San Jose International, Reno/Tahoe International, and Long Beach International.

III. Actions remaining and expected completion date

In September 2010, FAA will conduct Field Operational Evaluation of Runway Status Lights/Runway Intersection Lights function at Boston Logan Airport. FAA will establish new test beds at Los Angeles and Boston Logan Airports during the FY 2009 - 2010 timeframe.

Final Approach Runway Occupancy Signal (FAROS) is an automated safety system designed to notify pilots on approach to land that the runway is occupied or otherwise unsafe for landing. This pilot notification system addresses the high priority safety hazards of runway incursions and is undergoing long-term testing at the Long Beach, California airport. An enhanced version of FAROS (eFAROS) was installed at Dallas-Ft. Worth airport and the short-term operational evaluation indicates the system is effective.

FAA will procure and install a Low Cost Ground Surveillance system at one airport in May 2010 with two more installations scheduled for September 2010.

IV. Results or expected results

Based on the continued emphasis on runway safety, FY 2009 is expected to eclipse FY 2008 as the safest year on record regarding serious runway incursions. Further, total numbers of runway incursions that have been increasing annually, and in the last two fiscal years by 13 to 14 percent, will be reduced below a baseline established in FY 2008. As the advanced technology systems are implemented, their expected cumulative effect is to further diminish the number of incursions and their severity.

2. Enhancing Mobility and Reducing Congestion in America's Transportation System

Issue: Reducing Delays and Improving Customer Service as the Airlines Struggle with Higher Fuel Costs

I. Why is this an issue?

Aviation system delays occur when the demand for air transport services exceed the capacity of the system. Congestion and delays cost the traveling public and aviation industry billions of dollars each year in added expense and lost productivity. One of the largest expenses for the aviation industry is the cost of jet fuel. When airlines incur taxi-delays or airborne delays, they use even more fuel, thereby increasing their costs. While fuel costs are currently at around \$2.00 per gallon, most analysts believe the cost of jet fuel will increase again after the economy recovers.



II. Actions taken to date

While the implementation of NextGen is the long-term solution to reducing congestion and increasing capacity of the NAS, FAA continues to work aggressively at reducing delays and meeting the anticipated demand for air travel. To temporarily ease congestion and reduce delays, FAA and DOT have implemented several short-term initiatives to improve the accountability, enforcement, and protection afforded air travelers:

Congestion Management at LaGuardia, JFK and Newark Airports. FAA issued final congestion management rules in October 2008 to address continued delay problems at New York's LaGuardia, JFK and Newark airports. In May 2009, FAA issued proposals to rescind the New York rules. Despite the decision to rescind the rules, FAA believes some form of congestion management is necessary at these airports on a long-term basis. In FAA's ongoing efforts to reduce delays, FAA continues to keep the limits on scheduled operations in place at LaGuardia, JFK, and Newark while the Administration considers its next steps with regard to a long-term congestion management solution for the New York area airports.

New York Area Operational Improvements. FAA is working to implement several operational initiatives that will increase efficiency and reduce delays at the Port Authority of New York and New Jersey run airports. In addition, the Port Authority is making improvements and conducting maintenance on the airfield at JFK airport. These include widening of runways, strengthening of taxiways, new high speed turnoffs, and runway rehabilitation.

Other initiatives to explore operational improvements include New York, New Jersey, and Philadelphia Airspace Redesign and continued work on the New York Aviation Committee's list of 77 recommended fixes for reducing delays.

O'Hare International Airport. FAA requires U.S. and foreign air carriers to report their proposed scheduled operations at O'Hare in advance. The agency then uses the information to anticipate and take action to prevent excessive scheduling and delays.

III. Actions remaining and expected completion date

In 2010, FAA will re-evaluate policy alternatives and initiate new congestion management rulemaking for LaGuardia, JFK, and Newark airports.

FAA is working with the Department of Defense for release of restricted east coast air space over the winter holidays to civilian operations.

The Chicago Airspace Project (CAP) is two-thirds complete. Design for the final components is currently ongoing, and will continue into FY 2010. Implementation of the remaining components will begin in late 2012 and is expected to be complete, along with the O'Hare Modernization Project (OMP), in late 2014. Benefits from the OMP include reduced delay and increased capacity.

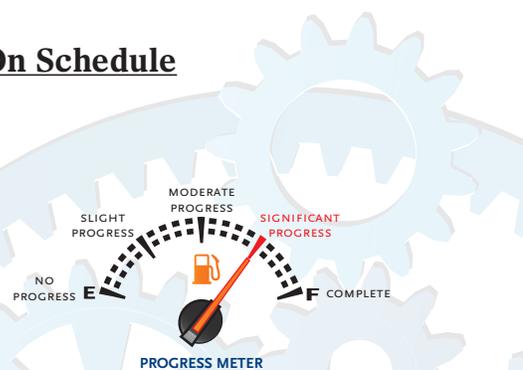
IV. Results or Expected Results

FAA expects to continue bringing operational improvements on-line that will provide for increased efficiencies and reduce delays in the New York metro area and nationwide, this year and in the future. In addition, FAA's congestion management efforts at LaGuardia, JFK and Newark airports are expected to prevent excessive congestion and delays, as were experienced in the summer of 2007. Other objectives of the congestion management initiatives are to ensure efficient utilization of the scarce resources as well as to foster increased competition.

Issue: Keeping Airport Infrastructure and Airspace Projects On Schedule

I. Why is this an issue?

While the long-term solution to increasing capacity and reducing delays depends largely on expanding capacity through the Next Generation Air Transportation System (NextGen), the new system will not be fully operational until 2025. Until the full benefits of NextGen are realized, several near-term initiatives – building new runways and redesigning airspace - have potential for relieving congestion.



II. Actions taken to date

In FY 2009, FAA's ongoing effort to meet the needs of today's air traveling public by reducing congestion and subsequent delays, culminated with the unprecedented opening of three new runways at three of the Nation's busiest airports – on the same day.

- At Washington Dulles, the new runway will significantly enhance capacity by accommodating additional 100,000 aircraft operations annually while decreasing the delay per operation by an average 2.5 minutes. Additionally, this new runway allowed the airport to perform much-needed reconstruction on its center runway during the summer of 2009 without experiencing associated delays.
- Seattle-Tacoma Airport's new runway is critical to capacity, given that the two existing runways were closely spaced, impeding efficiency during periods of low clouds that occur 44 percent of the time. With this new runway, Seattle-Tacoma will accommodate as many as eight additional on-time arrivals per hour, even in poor weather, which often creates a slow down in the rate of arrivals.
- The new Chicago O'Hare runway represented a major and necessary milestone in the airport's Modernization Program, offering new final approach fixes and taxiway systems. This runway will enable the airport to accommodate more than 52,000 additional annual operations while reducing average annual delays.

The FAA's ongoing campaign to increase efficiencies had several additional notable successes in FY 2009.

- On December 4, 2008, Dallas-Ft. Worth opened a new Southeast "End Around Taxiway." End around taxiways increase operational capacity and runway safety by allowing aircraft to taxi around the end of the runway.
- In August 2009, a new taxiway opened ahead of schedule at Boston Logan Airport, and will reduce ground delays by as much as 22 percent.
- In February 2009, Philadelphia International Airport opened a 1,040 foot extension to runway 17-35. This was accomplished a month ahead of schedule. This runway extension alone is projected to save airlines \$20 million a year in aircraft direct operating costs and generate a net savings in passenger time, valued at \$29 million annually.

III. Actions remaining and expected completion date

None. All planned actions were accomplished.

IV. Results or expected results

Collectively, the FY 2009 runway and taxiway projects at some of our nation's busiest major hub airports yielded efficiencies and provided for 327,000 more annual operations in fiscal year 2009.

These achievements represent the successful culmination of FAA efforts to cultivate partnerships and to work in tandem with local governments and communities to achieve lasting benefits. Delays were reduced for millions of passengers annually, while saving hundreds of millions of dollars per year to travelers and to the airline industry.

Issue: Improving Intercity Passenger Rail's Efficiency and Viability as a Transportation Alternative

I. Why is this an issue?

With growing highway and aviation congestion and volatile fuel prices, intercity passenger rail is increasing its role in America's transportation system and is a priority of the Obama Administration. However, Amtrak's poor on time performance detracts from its revenue base by discouraging ridership, and adds significantly and unnecessarily to its costs by slashing equipment utilization and elongating crew tours of duty.



II. Actions taken to date

To date, FRA has drafted performance measures to comply with section 207 of the Passenger Rail Investment and Improvement Act of 2008, which include on-time performance measures and standards for intercity passenger rail service. FRA has also approved projects worth \$1.14 billion under the American Recovery and Reinvestment Act and has begun the application review process for the High-Speed/Intercity Passenger Rail (HSIPR) grant program. Both of these efforts will lead to incremental improvements to rail infrastructure and capacity within the Amtrak system, which inherently benefits on time performance. Moreover, Amtrak is continuing to advance performance improvement plans with freight host railroads on select routes across the Amtrak system.

FRA is working through Amtrak, the new on-time performance measures, and passenger rail investment programs to effect improvements in the rail system. Other than those aspects of rail operations and maintenance covered by the railroad safety regulations, the FRA has no authority over the private railroads' train dispatching practices, rail line capacity, and track maintenance, which affect the quality of passenger rail service.

Actions remaining and expected completion date

By the end of calendar year 2009, FRA expects the metrics and standards to be finalized and will have made further progress in evaluating the HSIPR applications. Ongoing work with Amtrak's performance improvement plans is also expected.

To specifically address the causes of Amtrak delays, Amtrak and FRA have incorporated train delay measures into the metrics and standards, which will help identify the source and causes of delays affecting Amtrak's operations. Amtrak will track delays in two broad categories: those caused by the host railroads and those caused by Amtrak. To provide additional insight, Amtrak will divide delays caused by the host railroad into three categories: slow orders, freight train interference, and other host responsible delays.

DOT's OIG has noted that host railroad dispatching and infrastructure maintenance practices have negatively impacted Amtrak's operations, especially in recent years. Freight train inference delays are largely tied to host dispatching practices while slow order delays are tied to host maintenance practices. By reporting on these two host railroad delay categories on a quarterly basis to Congress, by route, by host, the FRA will bring greater attention to the cause of Amtrak delays, which is expected to help Amtrak and host railroads initiate their development of performance improvement plans that identify operational and incremental infrastructure improvements that reduce delays and improve OTP.

FRA is also working with Amtrak to establish an allowable threshold for delay minutes per 10,000 train-miles, which when exceeded on an Amtrak route for two consecutive quarters, can lead to a Surface Transportation Board investigation that ultimately results in host railroads being fined for any inattentiveness that they may display toward Amtrak and the convenience and necessity of the train-riding public.

III. Results or Expected Results

For the first eleven months of FY 2009, the on-time performance across the entire Amtrak system through August was 80 percent, an increase of 9.2 percentage points over the previous year. During that period, three-fourths of Amtrak's routes (30) had improvements in OTP, and of these, nine corridor-type and ten long-distance trains are meeting or are surpassing their FRA-defined OTP target for FY 2009. This progress is expected to continue in the future due to a combination of factors, including further cooperation between Amtrak and the freight railroads; noteworthy State-sponsored investments under FRA's ongoing High-Speed Intercity Passenger Rail (HSIPR) program; Amtrak's Recovery Act-enhanced capital programs, enabling Amtrak to expedite replacements and additions of rolling stock and infrastructure; and the implementation of the Metrics and Standards,

which will improve the accountability of host railroads, thus encouraging the required priority dispatching of Amtrak trains and accelerating the implementation of action items identified by Amtrak-host railroad performance improvement plans.

3. Developing a Plan to Address Projected Highway and Transit Funding Shortfalls

Issue: Ensuring the highway trust fund remains solvent and developing a comprehensive highway funding framework for the future.

I. Why is this an issue?

The Highway Account within the Highway Trust Fund is the primary mechanism for funding federal highway programs. The account channels about \$33 billion in highway user excise taxes annually to states for highway projects. The upcoming Congressional authorization process for surface transportation programs provides an opportunity to address long-term funding for the Highway Trust Fund.



II. Actions taken to date

Since the shortfall in 2008, DOT has monitored the cash balance in the Highway Account on a weekly basis, and continues to track receipt and outlay levels relative to historical data. In June 2009, DOT began providing Congress weekly projections of the cash balance in the Highway Account.

DOT now provides monthly data for the Highway Account of the Highway Trust Fund on the Federal Highway Administration (FHWA) website to ensure that the latest information is available to stakeholders. The website lists the most recent cash balance, receipts, and outlays, along with trend data, comparing the current status to the prior three fiscal years. This is an unprecedented level of transparency for the status of the trust fund.

DOT has also established procedures to increase the frequency of communication with Congress and stakeholders as the balance in the Highway Trust Fund is drawn down. On June 24, 2009, the Deputy Secretary of Transportation formally notified states that the highway account would experience a cash shortfall later in the summer. The notification letter explained that as the cash balance in the Highway Account drops, FHWA could need to begin making payments to States on a weekly or bi-weekly basis, rather than daily, beginning in early August. On August 7, 2009, the President signed legislation providing an additional \$7 billion to the Highway Account, which will keep the account solvent through Fiscal Year 2009 and into Fiscal Year 2010.

III. Actions remaining and expected completion date

DOT will work with Congress to explore appropriate solvency mechanisms as part of the surface transportation reauthorization process.

IV. Results or expected results

A comprehensive highway funding framework will support a transportation system that will enhance the Nation's economic competitiveness and improve transportation safety.

4. Maximizing the Return on Current Highway and Transit Infrastructure Investments

Issue: Strengthening stewardship over the Federal Government's highway investment

I. Why is this an issue?

To maximize the return on Federal highway funding provided to states (over \$41 billion in FY 2009), FHWA must continue to provide strong stewardship of major highway projects. FHWA has enhanced its oversight of major projects and states' management practices in recent years, but sustained focus is needed to ensure that these efforts attain their goals.

This task is even more imperative since Highway Trust Fund (HTF) revenues are falling short of meeting an overwhelming demand for highway infrastructure funding.



II. Action(s) taken to date

SAFETEA-LU lowered the threshold for projects requiring major project reviews from \$1 billion to \$500 million, and added a requirement for major highway projects to have project management plans and finance plans. FHWA coordinates these reviews, which increased in FY 2009 from the previous year. FHWA performed 40 major project cost estimate reviews, compared to 29 reviews in FY 2008; reviewed 30 project financial plans in FY 2009, compared to 27 in FY 2008; and reviewed 15 project finance plans in FY 2009, the first year for which data was collected. Also, FHWA sponsored certificated project management training for headquarters and field personnel.

III. Actions remaining and expected completion date

As FHWA expects a constant pipeline of major projects seeking Federal funds, so does it expect to maintain its level of effort in providing oversight. FHWA expects that the numbers and activity reflected in this FY 09 report will continue for each future year.

IV. Results or Expected Results

FHWA intends to cap the cost growth of its major projects to 2% per year and work with grantees to improve performance under this measure. FHWA expects to see gradual improvements in this performance record.

Issue: Providing strong oversight of major transit projects to maximize limited funding

I. Why is this issue?

Strong oversight of major transit projects is key to efforts to maximize limited Federal transit funding. The Federal Transit Administration FTA has 15 New Starts Projects with approved full funding grant agreements totaling \$9.2 Billion dollars (federal share) in various stages of design or construction across the country. FTA's early and continuous oversight of grantees' project and financial management practices is key to controlling cost and schedule; avoiding construction quality problems; and preventing and detecting fraud, waste, and abuse.



II. Action(s) taken to date

More detailed cost and risk reviews are being performed earlier in project development, prior to a project's approval into preliminary engineering. These detailed reviews were previously only performed prior to approval into final design. More detailed reviews were first performed on the Salt Lake City Mid Jordan Project and the Access to Region's Core project in New Jersey before entry to Preliminary Engineering.

FTA generated an Advanced Notice of Proposed Rule Making on Project Management Oversight. It is also developing risk management training materials in collaboration with the National Transit Institute (NTI) to help grantees more effectively manage their projects.

Representatives from the Office of the Inspector General were invited, and made presentations on Waste, Fraud, and Abuse at FTA Oversight conference in Washington, DC and Engineers' Meeting in Chicago, Illinois.

III. Actions remaining and expected completion date.

The improvement of management of major capital projects is an ongoing effort. Project Management trainings and Risk Management trainings will be provided to grantees at various locations in the country.

IV. Results or Expected Results

To maintain a rigorous New Starts evaluation, more detailed cost and risk reviews are performed earlier in project development, prior to a projects approval into preliminary engineering. Training is offered to grantees to help them manage risk. Also, there is an increase in the dissemination of information and outreach efforts to educate and increase the grantees awareness of potentials for fraud, waste and abuse.

5. Operating the National Airspace System While Developing and Transitioning to the Next Generation Air Transportation System

Issue: Hiring and Training 17,000 New Controllers Through 2018

I. Why is this an issue?

The FAA's highly trained Air Traffic Controllers (ATC) play a critical role in achieving the outstanding level of aviation safety we enjoy in the United States. Over the next decade, FAA plans to hire and train nearly 17,000 controllers to replace those who were hired after the 1981 strike and are now retiring. Deploying a well-trained ATC workforce plays an essential role in ensuring the tens of thousands of aircraft are moved safely and expeditiously through the National Air Space to their destinations.



II. Actions taken to date

FAA took several steps in FY 2009 to address the challenges of hiring 17,000 new air traffic controllers.

- FAA conducted interviews and performed required medical and security screenings for large numbers of qualified applicants at seven Pre-Employment Processing Centers. This process allows FAA to hire and train applicants at a faster pace.
- In 2009, FAA selected five new colleges and universities to be part of the Air Traffic – Collegiate Training Initiative training program, increasing the total number of schools to 36. In the past five years, AT-CTI schools across 21 states and Puerto Rico graduated more than 4,000 students from their aviation programs, 3,000 of whom were hired by FAA.

- The agency convened a workgroup to identify a percentage range or percentage target for the number of developmental controllers compared to experienced controllers at an FAA facility. This workgroup concluded that there is no single factor that should be used to determine what a facility can realistically accommodate while accomplishing facility training and daily operations. Since the current average trainee percentage of 27% is still well below the historical 35% guideline, FAA decided to keep the historical guideline at 35%.
- During this past year, FAA continued to increase the terminal simulation capacity at the training Academy by installing six new high-fidelity tower cab simulators, providing a realistic tower environment in which to teach trainees. Also installed were state-of-the-art en route training labs that simulate the air traffic control technology currently in use in en route facilities. By improving training techniques and using high-fidelity simulators, the agency has reduced the training period from an average of three to five years down to two and three years.
- FAA has rehired retired FAA air traffic controllers as contract instructors to train the new workforce. By harnessing their valuable air traffic expertise, these experts can focus solely on training the next generation of controllers, rather than moving back and forth between working traffic and on-the-job training.

III. Actions remaining to be taken

In FY 2010, FAA will continue to be proactive in its hiring and training programs to bring the controller workforce to 15,692. The agency will take action at the facility level should adjustments become necessary due to changes in traffic volume, unanticipated retirements or other attrition. The Air Traffic Control Workforce 10-Year Strategy will be updated to continually revise hiring targets for the fiscal year. In conjunction with hiring and staffing, FAA plans to modify four old simulators at the Academy and four old simulators in the field to match the configuration of the new simulators in FY 2010. Additionally in FY 2010, the Air Traffic Control Optimum Training Solution will provide training to all 315 FAA facilities.

IV. Results or Expected Results

FAA's goal is to ensure that the agency has the flexibility to match the number of controllers at each facility with traffic volume and workload. The current hiring plan has been designed to phase-in new hires as needed. This will avoid another major spike in retirement eligibility like the current one experienced as a result of the 1981 controller strike. FAA is dedicated to maintaining and improving the levels of safety achieved thus far while continuing to improve working conditions and expand the diversity of the workforce.

Issue: Keeping Existing Projects on Track and Reducing Risks with NextGen

I. Why is this an issue?

FAA faces a number of challenges associated with the implementation of NextGen – an enormously complicated undertaking due to the technological complexities, numerous stakeholders, and broad scope of the effort. As FAA moves forward with NextGen, it must continue to establish a framework for improving system management capabilities, address weaknesses on selected air traffic control systems, implement a cost accounting system, establish a cost estimating methodology, and make progress in establishing an organizational culture that supports sound acquisitions.



II. Actions taken to date

FAA leveraged the National Airspace System (NAS) Enterprise Architecture to identify critical decision points and strategically align our investment strategy for NextGen in concert with ongoing investments. These decision points guide key NextGen pre-implementation activities in the context of other ongoing FAA activities and programs. A key effort in this alignment was an internal gap analysis that includes requirements for addressing identified shortfalls between the current NAS and the NextGen mid-term NAS Enterprise Architecture.

In January 2009, FAA released an update to its NextGen Implementation Plan (NGIP). The NGIP identifies a set of implementation commitments that describe how a core set of avionics will support NextGen operational capabilities by 2018. Measuring the progress of these commitments and of key activities is critically important to the successful implementation of NextGen. The NGIP provides deployment schedules and includes interim milestones to reach these commitments. Implementation is considered complete when all relevant training, policies, and procedures are in place.

Also in 2009, the GAO determined that FAA's air traffic control modernization warranted removal from the high-risk list. GAO found that FAA executives, managers, and staff demonstrated a strong commitment to—and a capacity for—resolving risks. Agency executives worked with OMB to refine corrective action plans to address weaknesses, instituted programs to monitor and evaluate the effectiveness of corrective measures, and demonstrated progress in implementing these corrective measures. Specifically, FAA:

- Improved management capabilities on major projects and is working to extend these improvements to new projects;

- Continued to develop an enterprise architecture—a blueprint of the agency’s current and target operations and infrastructure—and is refining it as FAA’s next-generation system becomes better defined;
- Implemented a cost estimating methodology and a cost accounting system;
- Implemented a comprehensive investment management process; and
- Assessed its human capital challenges and is now identifying plans to address critical staff shortages in areas such as program and financial management, systems engineering, contracting, and aviation research.

FAA has successfully put multiple new systems into operation throughout the country, including new air traffic displays, runway safety systems, and weather processing systems. In addition, while FAA has reduced the scope of several key programs, its acquisitions have experienced fewer cost overruns and schedule delays. FAA also developed an updated corrective action plan for 2009 to sustain its improvement efforts and enhance its ability to address risks.

NextGen’s success also depends on the participation of a highly-trained workforce. FAA contracted with the National Academy of Public Administration (NAPA) to identify the skill sets required to integrate and implement FAA’s NextGen initiative. The FAA is now working across organizational lines to address the NAPA recommendations, including continual evaluation of staffing needs versus NextGen demands, streamlining its hiring processes, and aggressively pursuing enhanced training and retention programs.

III. Steps remaining to be taken

Notwithstanding FAA’s progress, NextGen is still technically complex and costly, and FAA continues to place a high priority on efficient and effective management. The FAA faces challenges in undertaking needed research and development to better define new technologies, transitioning legacy systems to next-generation technologies, addressing aging facilities, and obtaining a highly trained workforce with the knowledge and skills to manage the program.

Further, NextGen will be built on key elements from existing programs and technology, and on new systems under development now. The plan is to make the most of modern aircraft capabilities and apply these to elements of the system that can take advantage of them. Then, over the next decade, FAA will continue a series of coordinated upgrades to the current ground infrastructure and aircraft systems.

With NextGen, FAA also will have the potential to establish seamless operations beyond our borders. To do so, FAA will work with international partners to harmonize standards, procedures, and air and space transportation policies worldwide.

IV. Results or expected results

NextGen will introduce superior technology and new procedures to enhance operational capabilities and provide numerous efficiencies to the system. The resulting system will be scalable, networked, and fully digital.

With NextGen, FAA will continue to advance our already exemplary safety record by introducing new analytic tools that more proactively detect adverse trends and identify precursors. These tools will allow us to act on potential problems before they take shape.

In addition, airports will benefit from increased safety, better use of existing capacity, greater design flexibility, and reduced environmental impacts. NextGen will also foster operational improvements, advances in technology, and the development of sustainable alternative fuels that will allow us to reduce aviation's environmental footprint even as our transportation system grows.

Issue: Sustaining FAA's Extensive Network of Aging Facilities

I. Why is this an issue?

FAA has responsibility for over 500 air traffic control facilities around the country and in U.S. territorial possessions. Many of these have exceeded the average useful life of 30 years and are in need of repair or modernization. Because 59 percent of FAA facilities are over 30 years old, key decisions regarding facility consolidations and infrastructure needs, especially in light of transitioning to NextGen, are currently under consideration.



In addition to updating facilities, FAA is replacing outdated automation equipment at air traffic control towers and terminal facilities with more current systems. Automation systems process data and display the information for air traffic controllers. The older equipment is limited in its capacity and is not immediately compatible with essential parts that will be put in place when the agency transitions to NextGen.

II. Actions taken to date

In FY 2009, FAA's Air Traffic Organization tracked sustainment needs submitted via the Needs Assessment Program (NAP) tool and managed execution of the requirements via a Corporate Work Plan tool set. Major accomplishments included over 150 Unstaffed Infrastructure Sustainment projects, which involved 30 shelter replacements, 30 steel tower inspections, 30 HVAC/air conditioning replacements, 30 roof repairs, and 30 access road

repairs. In addition, FAA completed 140 power system sustainment projects to include replacement of 70 engine generators, 5 uninterruptible power systems, and 65 battery systems.

The Air Traffic Organization's Technical Operations Unit developed a Service Life Replacement Model to assist in tracking facilities replacement funding needs for NextGen. This analysis details facility requirements and operational concepts.

FAA continues to review future needs of legacy systems in an effort to consolidate remaining legacy equipment and dispose of excess property. FAA completed the Concept of Use and Preliminary Facility requirements planning document in September 2009. This inventory of legacy air traffic control equipment and commensurate sustainment requirements allows for the decrease in equipment need as it is overtaken by the NextGen system.

In FY 2009, FAA received Facilities and Equipment funding from the American Recovery and Reinvestment Act (Recovery Act). The Recovery Act funds will be used during the remainder of FY 2009 and in FY 2010 to upgrade en route air traffic control centers, power systems, air traffic control tower and terminal radar approach facilities, and navigation and landing equipment.

III. Actions remaining to be taken

FAA has several programs designed to address the condition of its aging facilities and equipment. Here are some of the activities planned activities in the near-term:

- The en route traffic control center program consists of 25 construction projects that will contribute to refurbishing 18 centers that are 40+ years of age.
- The power systems program will implement replacement and upgrade construction projects at over 90 locations nationwide.
- The air traffic control tower and terminal radar approach control facility program will construct 3 new tower facilities and modernize 3 tower facilities.
- The navigation and landing program will construct and install 4 airport lighting systems and 3 airport instrument landing systems, and will install replacement lamp monitoring systems at 10 runway sites.

In FY 2010, FAA plans major construction and renovation projects at key locations such as Boston, Los Angeles, Atlanta, Chicago, Minneapolis, and Seattle. Other mission critical and minor projects are also anticipated at 21 Air Route Traffic Control Centers, as well as Center Radar Approach Control facilities in the near future.

IV. Results or expected results

The Facility industry metric used to assess backlog and relative state of building infrastructure is the Condition Index (CI). Since 2004, FAA's CI has improved by an average of 0.6 percent per year due to targeted backlog reduction efforts.

However, in FY 2010 and FY 2011, FAA expects to see an 8–9% increase in backlog. Conditions within en route centers are projected to worsen as equipment installed in 1980s reaches lifecycle limits. There is currently over \$100 million needed to modify general unstaffed towers, repair roofs and roads alone.

6. Protecting Against Increasing Cyber Security Risks and Enhancing the Protection of Personally Identifiable Information

Issue: Implementing a Robust Information Security Program To Protect the Department's Data and Operations

I. Why is this issue?

By law, Presidential directive, and OMB mandate, DOT must secure its cyber infrastructure and manage risk commensurate with the requirements for confidentiality, integrity, and availability of information stored, processed, and transmitted by DOT information systems. The threats against the very complex DOT cyber infrastructure are constant and increasing, requiring significant resources to manage the risks, address vulnerabilities, and to identify, plan for, and implement new protections. A compromise or attack against this infrastructure exposes National Critical Infrastructure and DOT business and mission functions to failures that have both Departmental and national economic, financial, and operational consequences, including undermining public trust in the United States Government and significant Departmental embarrassment.



II. Actions Taken to Date

The DOT Chief Information Office executed upon its FISMA 2008 corrective action plan: providing annual security training to DOT personnel; reviewing and updating relevant cyber security policy; addressing system weaknesses, ensuring certification and accreditation and testing of systems; implementing an alternative data center for the purpose of disaster recovery and continuity of operations; establishing standardized configuration requirements for DOT information systems; and assessing DOT systems to determine the required authentication requirements.

III. Actions Remaining and Expected Completion Date

The Department continues to make progress on critical national initiatives and expects to complete the reduction and consolidation of connections between DOT networks and the Internet by the end of calendar 2011, deployment of intrusion detection devices (Einstein 2) by the end of March 2010, and assessment of compliance with federal configuration standards (FDCC) for DOT Headquarters by the end of December 2009. DOT will submit an implementation plan that submits the President's identity management strategy for using federal standard ID cards for access to buildings and IT systems and networks by the end of calendar year 2009. Investments addressing Federal requirements for use of Personal Identification and Verification cards for physical and logical access, improve vulnerability and configuration management, and to enhance validation of technology are planned for FY2011.

IV. Results or Expected Results

Assessment of compliance with basic Federal security requirements will improve, reporting of incidents will improve as a result of training, and the rate of inadvertent compromise of DOT systems by DOT personnel will be reduced through increased awareness and training. Incidents associated with technical vulnerabilities and weaknesses will continue to be a challenge and concern, as will progress and compliance on Federal initiatives, and training and enhancement of the DOT cyber security workforce.

Issue: Enhancing security protection of the Air Traffic Control System as a Critical National Infrastructure

I. Why is this an issue?

Commercial aviation plays an important role in fostering and sustaining the national economy and ensuring citizen's safety and mobility. Because of this, the Homeland Security Presidential directive (HSPD-7) designated air traffic control systems as part of the nation's critical infrastructure.



II. Actions taken to date

In FY 2009, FAA completed numerous milestones that support new standards in safeguarding and preserving our critical national infrastructure.

- In April 2009, the Information Systems Security (ISS) completed its ambitious Audit and Compliance Program Plan. Regular audits ensure full compliance with multi-tiered security controls, and with security policies and procedures issued

by the Department of Transportation, the Office of Inspector General, the Government Accountability Office, and the ISS.

- During FY 2009, ISS' ongoing regimen of NAS logical access studies were performed and successfully completed during site visits to the following installations: Oakland Air Route Traffic Control Center; Southern California Terminal Radar Approach Control; New York Air Route Traffic Control Center; and Chicago O'Hare International Airport.
- FAA has completed two-thirds of the certification & accreditation packages required by the National Institutes of Standards and Technology for successful risk management.

FAA has developed a Business Continuity Plan (BCP) to ensure consistent and constant operations. Numerous logistical, fiscal, and technical hurdles have been resolved to prepare a recovery site capable of assuming the responsibilities of an inoperable Air Route Traffic Control Center. FAA's William J Hughes Technical Center is the designated recovery site. It has successfully used live data from the Memphis air traffic control facility to demonstrate that operations could be shifted to an alternate location.

III. Actions remaining to be taken

In accordance with the established plan, ATO is on track to achieve 100 percent organizational compliance with security policies, procedures, and multi-tiered security controls by September 30, 2010.

IV. Results or expected results

It is crucial that National Airspace System (NAS) protection remains an increasing, shared, and visible priority. The FAA seeks not only to protect systems that protect travelers, but to instill a full and justified confidence in customers and airlines, and to pave the way for a secure and successful implementation of NextGen.

Issue: Enhancing the Protection of Personally Identifiable Information

I. Why is this issue?

The Department is required by law and OMB directive to protect Personally Identifiable Information (PII) collected by the Department. The exposure of this information exposes citizens to the risk of identity theft, exposes businesses to economic damage resulting from fraudulent transactions, undermines public trust in the United States Government, and exposes



the Department to both embarrassment, and potentially significant, unplanned financial impacts resulting from actions required to respond to privacy incidents. The risk of exposure is increasing as more PII information is collected, as malicious entities are becoming more sophisticated in their efforts to obtain unauthorized access to this information.

II. Actions Taken to Date

Annual privacy training has been provided to DOT personnel to raise awareness of the issues, and to provide direction and guidance on protecting privacy information. Significant efforts were made this year to ensure that the Department's assessment and inventory of privacy systems was accurate, and that all systems had the requisite documentation, including Privacy Threshold Analyses (PTA), which are a series of questions to determine if an IT system collects any Personally Identifiable Information (PII), Privacy Impact Assessments (PIAs), which tell the public why PII is being collected and how is it protected, and System of Records Notices (SORNs), which are published in Federal Register to let the general public know about creation of system which will collect personal information. The publication explains the right of each individual to request information about himself/herself in the system. The publication also requests comments from the general public. To ensure the appropriate reporting and response to breaches of privacy information, policy and guidance were updated to ensure that DOT personnel know how to report a privacy breach, and to establish a Departmental policy and process on breach notification.

III. Actions Remaining and Expected Completion Date

The DOT Privacy Officer is in the process of obtaining information from Privacy Officers in the DOT agencies on their individual system plans for reducing the unnecessary use of Social Security Numbers, which will be aggregated into a DOT plan by the end of December 2009. Additionally, the DOT Privacy Officer and Chief Information Security Officer are working to complete implementation of technology to detect the unauthorized transmission of sensitive and PII information on the DOT headquarters network by the end of March 2010.

IV. Results or Expected Results

DOT expects to reduce the inadvertent exposure of personally identifiable information through increased awareness and training and to reduce the unnecessary use of personal data.

7. Preventing Catastrophic Failures and Obsolescence in the Nation's Aging Surface Transportation Infrastructure

Issue: The Federal Highway Administration must strengthen its efforts to ensure safety for bridges and tunnels and hold states accountable for Federal funds

I. Why is this an issue?

According to the American Association of State Highway and Transportation Officials, the average bridge in the United States is 43 years old, and nearly one in four bridges is either structurally deficient and in need of repair or functionally obsolete or too narrow for today's traffic volumes. Fatal infrastructure failures in recent years have focused attention on obsolescence in the nation's aging surface transportation infrastructure.



II. Action taken to date

An internal team is developing a uniform definition of compliance with the National Bridge Inspection Standards Board. The team is identifying data-driven, risk-based thresholds to systematically assess compliance and encourage States to adopt bridge management systems. The team has drafted proposed definitions, metrics, and processes, and is currently addressing input from FHWA division offices. Another internal team is examining current National Bridge Inspection Program oversight practices by FHWA division offices and developing enhancements to ensure that oversight is data-driven and risk-based.

The FHWA Program Management Improvement team is reviewing the current agency wide approach to risk management to identify opportunities for improvement. The agency initiated national and agency-wide webinars on areas where a need existed to share information and experiences broadly.

FHWA also prepared a draft Notice of Proposed Rule Making for National Tunnel Inspection Standards.

III. Actions remaining and expected completion date

The ultimate goal is to have the documents and processes developed by the team ready for implementation beginning with the 2011 annual reviews.

The two team initiatives discussed above need to be completed before a comprehensive risk-management plan can be put in place. In the interim, FHWA continues to monitor the annual compliance review results and target resources toward the areas of greatest risk.

FHWA plans to publish the National Tunnel Inspection Standards in 2010 and develop guidelines for maintenance, inspection and operation of road tunnels by 2013.

IV. Results or Expected Results

When all the initiatives above are implemented, states will routinely and consistently inspect tunnels and bridges using a risk based approach and provide the information to FHWA; thereby, reducing the risk of structural failure and related accidents.

FHWA will develop and implement guidelines for design, construction, maintenance, inspection, and operations and use a risk-based, data driven oversight system.

Issue: The Federal Transit Administration must work with state and local transit agencies to identify ways to repair, rehabilitate or replace aging transit systems

I. Why is this an issue?

In 2004, the value of the transit infrastructure in the United States was estimated at \$402.7 billion, not including the value of assets that belong to rural and special service operators. DOT in its *2006 Conditions and Performance Report to Congress* found that 15% of bus vehicles and 34% of the rail fleet in urban areas exceeded their useful life, 31% of urban bus maintenance facilities and 8% of rail maintenance facilities were in substandard or poor condition, and 51% of urban rail passenger stations were in substandard or poor condition. FTA must work with state and local transit agencies to identify ways to repair, rehabilitate, or replace their infrastructure to meet current demand, keep up with projected ridership, and prevent any catastrophic failures caused by aging or obsolete infrastructure.



II. Actions taken to date

FTA has formed a State of Good Repair (SGR) work group consisting of transit agency professionals from several transit properties across the nation to discuss how to maintain transit system assets in a “state of good repair” and how to address the backlog of transit assets in substandard condition. This group formulated SGR related issues and state of the art practices that will be discussed at smaller round table meetings. The first State of Good Repair Roundtable meeting was held in July 2009, bringing together transit agencies to share ideas. Working with the National Transit Institute, FTA is developing a training course on Asset Management for transit grantees.

III. Actions remaining and expected completion date.

Beginning in 2010, four training courses per year will be provided to transit grantees on Asset Management. The State of Good Report workgroup, made up of 30 members, will continue to meet to develop ideas to advance the State of Good Repair needs of the transit industry. Smaller roundtable meetings will continue to be held periodically.

IV. Results or Expected Results

Information on best practices and tools to help transit agencies manage their assets to bring them and keep them in a state of good repair.

8. Improving Contract Operations and Maintaining Procurement Integrity

Issues: Developing and maintaining a competent acquisition workforce to support the Department's mission, improving award-fee contracting processes to better achieve acquisition objectives, ensuring that suspended or debarred contractors do not obtain Government contracts or assistance agreements, and ensuring the acquisition workforce maintains high ethical standards

I. Why are these issues?

DOT spends approximately \$6.8 billion annually, or about 40 percent of its discretionary budget, on contracts to obtain goods and services. Inspector General audits and investigations continue to find oversight and control weaknesses, fraud and abuse, and other ethics issues involving Department officials and contractors.



II. Actions taken to date

Developed a Strategic Acquisition Workforce Succession Plan. In February 2009, DOT developed the Strategic Acquisition Workforce Succession Plan to address the challenges the Department is facing in the acquisition workforce. At DOT, almost half of the workforce is eligible to retire by 2012 (GAO-08-630T). The competition for talented acquisition professions to replace these individuals is fierce and the workload is increasingly complex. The DOT Strategic Acquisition Workforce Succession Plan was developed to meet the requirements for improvements in the federal acquisition workforce as directed by section 855 (Federal Acquisition Workforce Improvements) of Public Law 110-181.

In FAA, the demands of deploying NextGen are expected to have a substantial effect on the acquisition workforce. In September 2009, FAA formed a cross-organization, executive-level Acquisition Workforce Council that provides strategic direction and oversight to ensure the agency has the acquisition workforce talent it needs. The Council led the

development of a multi-year Acquisition Workforce Plan. This plan contains a profile of FAA's acquisition workforce, internal and external drivers in regard to the challenges the agency faces, the workforce planning process, competency requirements, future demand, strategies to address workforce requirements, and metrics to track progress.

Along with the Council, a Strategy Steering Group and strategy working groups are focused on implementing strategies and monitoring progress against the plan. FAA is also expanding on its acquisition training and certification programs and implementing an integrated Acquisition Career Development Program to define career paths and implement a structured career development program. This program highlights not only training and learning opportunities, but also developmental opportunities for advancement and sets the framework to target recruitment of acquisition professionals in entry-, mid- and senior-level career tracks.

Updated DOT Suspension and Debarment Order 4200.5D. This order prescribes standards for implementing debarment, suspension, and ineligibility procedures and ensures that the Department has a vigorous department-wide debarment and suspension program. Official release of the order is expected by end of December 2009.

Establish Individual Development Plans (IDPs). IDPs were established during the 4th quarter of FY 2009. IDPs will help build a highly competent workforce that can excel in a complex, rapidly changing environment. IDPs will be used to: (1) identify and assess future developmental needs in required competency areas; (2) provide structured learning experiences linked to organizational needs, goals, and job requirements; and (3) establish an agreed-upon set of learning objectives and developmental activities as part of a formal career development program

III. Actions remaining and expected completion date

Establish policy to reemphasize and elaborate on DOT's award fee policy. The Office of the Senior Procurement Executive (OSPE) will establish policy, providing examples when available, and dealing with practical concerns that could not be addressed in DOT acquisition regulations. This policy should be issued by end of the March 2010

Develop an improved reporting system/database. The current suspension and debarment management reporting system was developed in 2003. It is now being migrated into a robust internal web site that will provide real time reporting and serve as a valuable tool for senior management. The site will be available for DOT Operating Administrations to provide status of suspension and debarment (S&D) actions from initiation/completion to the final posting into the Excluded Parties Listing System (EPLS). The site will provide alerts/reminders to ensure S&D actions are being aggressively worked and completed in

a timely manner. The development of the site is expected to be completed and available during the 2nd quarter of FY 2010.

Institute the annual training program for the acquisition workforce and financial assistance/grants management personnel. The training will provide continuing reinforcement of ethics and contracting standards that promote the integrity of acquisition and grants management processes throughout DOT and supplements required annual ethics training. Sessions are scheduled to begin during the 4th quarter of FY09 through the 2nd quarter of FY10.

IV. Results or Expected Results

Overall expected results include improved acquisition practices Department-wide; a highly capable and accountable acquisition workforce; increased use of sound contracting arrangements with appropriate incentives and effective oversight; increased use of technology to improve contract and financial assistance (grants) management, and reduced incidences of fraud, waste, and abuse among DOT officials and contractors.

9. Enhancing and Deploying Programs for Reducing the Serious Consequences of Surface Transportation Crashes

Issue: Promoting consistent state highway safety performance indicators to measure progress.

I. Why is this an issue?

States and the Federal government spend large sums of money on highway safety programs and activities. As a data driven organization, NHTSA needs to make sure that States spend money wisely, with a focus on key issues and a positive impact on reducing the number and severity of crashes. In order to do this, NHTSA needs reliable, consistent, multi-year data on highway safety performance. While some states collect, analyze and report performance data now, others do not.



II. Actions taken to date

All states have included the core performance measures in their 2010 Highway Safety Plans, which outline programs they will implement and show how they will spend Federal funds. NHTSA has developed additional attitude and awareness performance measures. Additionally, in July 2009, NHTSA's National Center for Statistics and Analysis made fatal crash maps available to the public; these maps use 2006-2008 FARS data to show fatal crash locations within a state via a Google Earth Plug-In download. The crash-location

maps serve as an extension to the county maps that the State Traffic Safety Information website already delivers.

III. Actions remaining and expected completion date

NHTSA will review the Highway Safety Plans to assure that they include the requisite performance measures, and continue to work with the Governors Highway Safety Association on developing guidelines and implementation material for the measures. NHTSA is working on drafting additional developmental measures for enforcement activities. In FY 2010, the agency will convene a workgroup to develop speed-monitoring performance measures, which it expects to complete by December 2011.

IV. Results or Expected Results

During FY 2009, states began to use core performance measures in designing their FY 2010 safety programs. NHTSA will use these data, collected during FY 2010 and the following years, to measure the impact of their safety programs, to evaluate safety problems, and to make appropriate modifications to their programs. In future years, states will collect improved speed and injury data, as well as new performance measures (including law enforcement measures, and attitude and awareness surveys). As more years of data become available, states will be able to evaluate the long-term impact of their programs, determine changes in the magnitude of specific safety problems, and adapt their programs to address the most significant issues with programs that are determined to have an impact. Furthermore, as states measure and report on performance measures, NHTSA will work collaboratively with them to ensure that states meet or exceed their targets. This will include using demonstration projects, technical assistance, and sharing best practices.

Issue: Targeting unsafe motor carriers and commercial motor vehicle drivers for enforcement.

I. Why is this an issue?

The Federal Motor Carrier Safety Administration (FMCSA) needs to improve its processes for “Targeting Unsafe Motor Carriers and Commercial Motor Vehicle Drivers for Enforcement” by (1) taking stronger enforcement action against carriers with repeat safety violations and assessing maximum fines against repeat offenders, (2) improving processes to identify “chameleon carriers” and (3) closely monitoring Mexican motor carriers operating throughout the United States under the demonstration project.



II. Actions to date

Effective April 1, 2009, the Agency established a formal policy regarding the assessment of maximum fines under section 222 of the Motor Carrier Safety Improvement Act of 1999 (MCSIA). Section 222 requires the Agency to assess maximum statutory penalties if a person is found to have committed a pattern of violations of critical or acute regulations, or previously committed the same or a related violation of critical or acute regulations.

The FMCSA and its state partners scrutinize passenger carrier requests for new operating authority using a New Applicant Screening process which includes an Evasion Detection Algorithm (EDA). The New Applicant Screening Process identifies carriers that may be attempting to reincarnate themselves by comparing critical data on new applicants for operating authority with data in FMCSA's safety and registration records for other companies. This comparison will automatically and electronically yield matches of data between applicants and other companies that will allow the agency to identify possible reincarnated carriers with greater efficiency. FMCSA implemented the New Applicant Screening Process for passenger carriers in August 2008 and household goods carriers in April 2009. Since that time, 120 applicants were dismissed or voluntarily withdrew from the process. Each application identified through the use of the Evasion Detection Algorithm receives a follow-up investigation. Identified applicants must provide compelling evidence explaining certain similarities between their new business and an existing carrier in the FMCSA's census database or risk having their application denied.

In response to a recent Congressional mandate, FMCSA has discontinued the cross-border demonstration project with Mexican-domiciled motor carriers operating beyond the United States and Mexico border. The President has now tasked DOT to work with the U.S. Trade Representative, the Department of State, leaders in Congress, and Mexican officials to propose legislation creating a new trucking project that will meet the safety concerns of Congress and enable the Nation to fulfill its NAFTA commitments. Prior to cancellation, FMCSA developed site-specific plans for checking trucks and drivers participating in the Mexican motor carrier demonstration project by coordinating inspections and driver checks with State partners and U.S. Customs and Border Protection (CPB). FMCSA updated its quality control plan to reflect current practices. FMCSA performed over 140,000 southern border inspections, analyzed 100 percent of its portion of the CBP data and checked nearly 100 percent of all Mexican drivers crossing the border for the proper credentials and licenses.

III. Actions remaining and expected completion date

The Agency will monitor the impact that the enforcement improvements stated above will have on the safety performance of at risk carriers and drivers. FMCSA plans to expand the NAS process to all carriers, contingent upon the availability of appropriate resources.

IV. Results or expected results

FMCSA expects targeting unsafe motor carriers and their drivers will reduce the risk of CMV-related crashes as unsafe carriers are prevented from reincarnating. The New Applicant Screening process is in its infancy but about 12 percent of carriers who have gone through the process have either been dismissed or have decided not to follow-through with their applications when asked to provide more information.

Issue: Enhancing the Commercial Driver's License program by enforcing existing standards and adopting new standards.

I. Why is this an issue?

In the past 5 years, investigations by law enforcement agencies and FMCSA have led to the prosecution of commercial driver's license fraud schemes in 15 states. These investigations exposed schemes involving the fraudulent issuance of licenses to individuals who obtained them through corrupt means, such as bribery of state examiners and state-sponsored, third-party testers. As of August 2008, these investigations had generated 137 indictments and 106 convictions.



II. Actions to date

A final rule entitled “Amendments To Implement Certain Provisions of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU);” published July 5, 2007, increased civil penalties for drivers and carriers who violate out of service orders and specifies the circumstances by which noncompliant States which issue commercial drivers license (CDLs) may lose Federal funds. The agency reviews annually one-third of state CDL programs so that every program is reviewed every three years. These reviews include overt and covert monitoring of State third party testers to ensure training is taking place and to detect possible fraud. FMCSA reviews of state operations produce recommendations for state improvements, including developing and implementing action plans. On March 24, 2008, the agency published a Notice of Proposed Rulemaking (NPRM) entitled “Minimum Training Requirements for Entry-Level

Commercial Motor Vehicle (CMV) Operators” which revises the standards for mandatory training requirements for entry-level operators of commercial motor vehicles in interstate operations who are required to possess a commercial driver’s license. Persons applying for new or upgraded CDLs would be required to successfully complete specified minimum classroom and behind-the-wheel training from an accredited institution or program.

The agency published a Notice of Proposed Rule Making on April 9, 2008, entitled “Commercial Driver’s License Testing and Commercial Learner’s Permit (CLP) Standards,” which proposes that a CLP holder be subject to the same driver disqualifying offenses as currently apply to a CDL holder. The agency is reviewing the rule, and anticipates publication of the final rule in 2010. FMCSA published a final rule on December 1, 2008, entitled “Medical Certification Requirements as part of the CDL.” The rule requires a medical fitness certification be provided to state officials prior to issuing, renewing or upgrading a CDL. The medical certificate would be included on the driving record and states must downgrade the CDL if the certificate expires.

The Commercial Drivers License Information System (CDLIS) is the national clearinghouse of commercial driver records, and in June 2008, the agency established a cooperative agreement with the American Association of Motor Vehicle Administrators (AAMVA) to ensure income collected from CDLIS fees were used for CDLIS operations. FMCSA also awarded a grant to AAMVA to operate a Fraud Early Warning System, which communicates potential fraud occurrences among the states and provides “Fraudulent Document Recognition” training to state partners.

III. Actions remaining and expected completion date

The agency will monitor the impact the CDL rule changes will have on the safety performance of carriers and drivers. FMCSA anticipates publication of the Commercial Learners Permit final rule by February 2010. States will be required to comply with the medical certification requirements no later than January 30, 2012.

IV. Results or expected results

The number of drivers whose credentials will be revoked and are subsequently disqualified from operating on the highways will increase. The number of entities providing inadequate third-party training will decline. The likelihood of crashes and fatalities involving CMVs will improve. The new rules, once enforced, will strengthen the Agency’s CDL requirements, support fraud detection, and enhance CMV safety.

Issue: Identifying high-risk highway-rail grade crossings for safety improvements to further reduce collisions and fatalities.

I. Why is this an issue?

Over the past six years, grade crossing incidents have decreased almost 20 percent, from 2,977 in year 2003, to 2,397 in 2008. Casualties have likewise declined, with fatalities and injuries at crossings down 14 percent and 9 percent, respectively. While these are encouraging trends, the number of accidents and casualties remains a concern for FRA.



II. Actions taken to date

FRA has internally identified the 10 States with the worst rail crossing safety records and published a direct final rule (9/2/09). Louisiana and Illinois have voluntarily provided action plans and Texas is in the process of developing one.

The agency has prepared draft model legislation, which is under review by an advisory group. Copies of the draft model legislation were distributed for comment at the annual meeting of the National Conference of State Legislatures in July 2009.

FRA created a web-based tool to assist States and railroads identify previously unreported crossings to the Mandatory Rail Crossing Inventory.

III. Actions remaining and expected completion date

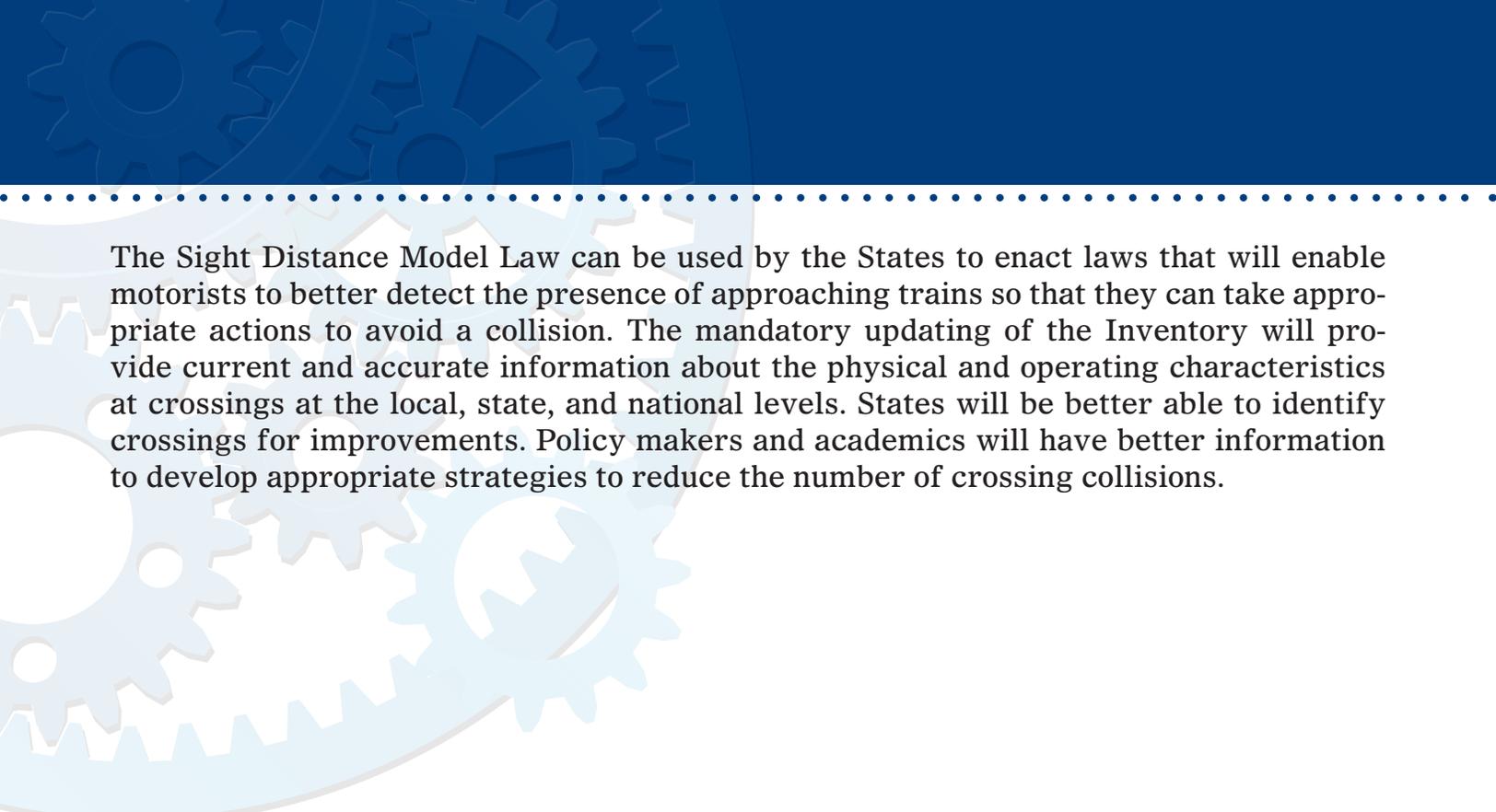
In October 2009 FRA will formally notify the 10 States with the worst rail crossing safety records that they are required to submit action plans. The agency will help states develop actions through FY 2010. FRA will review the submitted plans through FY 2010 and early FY 2011 and will either approve or return them for correction.

FRA will issue the draft Sight Distance Model Law and make it available to the States no later than April 16, 2010.

By December 31, 2010, FRA will have studied the impact of the mandatory updating requirements on the Mandatory Inventory database system and determined ways to improve how the Inventory is updated. The agency will publish a Final Rule implementing the requirements of the Rail Safety Improvement Act and by June 30, 2011.

IV. Results or Expected Results

FRA expects that the State Action Plans will enable states to target crossings that have had multiple collisions and implement solutions that will reduce the number of collisions.



The Sight Distance Model Law can be used by the States to enact laws that will enable motorists to better detect the presence of approaching trains so that they can take appropriate actions to avoid a collision. The mandatory updating of the Inventory will provide current and accurate information about the physical and operating characteristics at crossings at the local, state, and national levels. States will be better able to identify crossings for improvements. Policy makers and academics will have better information to develop appropriate strategies to reduce the number of crossing collisions.

GOVERNMENT ACCOUNTABILITY OFFICE HIGH RISK ISSUES

Since 1990, the Government Accountability Office (GAO) has provided to Congress a report on government programs and operations that in some cases are high risk due to their greater vulnerability to fraud, waste, abuse, and mismanagement. In recent years, GAO also has identified high-risk areas to focus on the need for broad-based transformations to address major economy, efficiency, or effectiveness challenges.

In January 2009, GAO presented a new high risk list to Congress, which included concerns about the Highway Trust Fund (HTF). According to GAO, the HTF channels about \$33 billion in highway user excise taxes annually to states for highway and related spending. Estimated outlays have exceeded estimated receipts throughout the authorization period for SAFETEA-LU – fiscal years 2005 through 2009. Furthermore, actual account receipts were lower than had been estimated and the account balance dropped more rapidly than anticipated, approaching zero in August, 2008. Congress subsequently approved legislation in September 2008 to appropriate \$8 billion from the General Fund of the Treasury to replenish the account. Agency officials previously anticipated the account would reach a critical stage again before the end of fiscal year 2009, and estimated that additional resources would be needed to ensure account solvency through the end of fiscal year 2010.

GAO recommended a surface transportation policy based on the following principles: (1) ensuring goals are well-defined and focused on the federal interest, (2) ensuring the federal roles in achieving each goal is clearly defined, (3) ensuring accountability for results by entities receiving federal funds, (4) using the best tools and approaches to emphasize return on targeted federal investment, and (5) ensuring fiscal sustainability.

DOT'S ACTION PLAN FOR ENSURING HIGHWAY TRUST FUND SOLVENCY

The financing methods that fund the highway and aviation trust funds are established by statute. It has become increasingly clear that the existing statutory approaches to financing the trust funds are not sustainable and will need to be addressed during the reauthorization processes. The Department is working with the Congress to identify the implications of alternative actions to address the long term funding needs for its aviation and surface programs as part of the reauthorization processes. To facilitate these future discussions, the Department is closely monitoring the balances in the Highway Trust Fund and is sharing this information on a regular basis with Office of Management and Budget (OMB) and the Congress.

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Performance Report



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PERFORMANCE FRAMEWORK

INTRODUCTION

The U.S. Department of Transportation's (DOT) overarching mission is:

To develop and administer policies and programs that contribute to providing fast, safe, efficient, and convenient transportation at the lowest cost consistent with the national objectives of general welfare, economic growth and stability, the national security, and the efficient use and conservation of the resources of the United States.

Everything we do at DOT is aimed toward meeting this mission statement and making measurable improvements in our transportation system, the security of our nation, and the quality of American life. In the *Performance and Accountability Report* we hold ourselves accountable to the public for effectively bringing to bear the Department's energy and resources in improving the nation's transportation system. We use these results to improve our strategies and resource decisions.

The DOT's performance framework is as follows:

- The **DOT Strategic Plan** provides a comprehensive vision for improving the Nation's complex and vital transportation system. The DOT's 2006 – 2011 Strategic Plan outlines five strategic objectives in the areas of safety, reduced congestion, global connectivity, security and the environment that articulate the longer term focus of the Department. In addition to the broad objectives; the plan targets specific outcomes we want to achieve, and identifies key challenges.
- The **DOT Performance Budget** operationalizes the Strategic Plan, and provides direct linkages between DOT's budget request and the results the public can expect for programs within each of our operating administrations. The performance budget defines the performance goals and measures used to manage progress toward our strategic objectives. It describes in detail one fiscal year's resources and programmatic effort within a strategic context. The performance budget also aligns each dollar requested to one of our strategic objectives.
- This **DOT Performance and Accountability Report** provides a public accounting of our FY 2009 performance results.

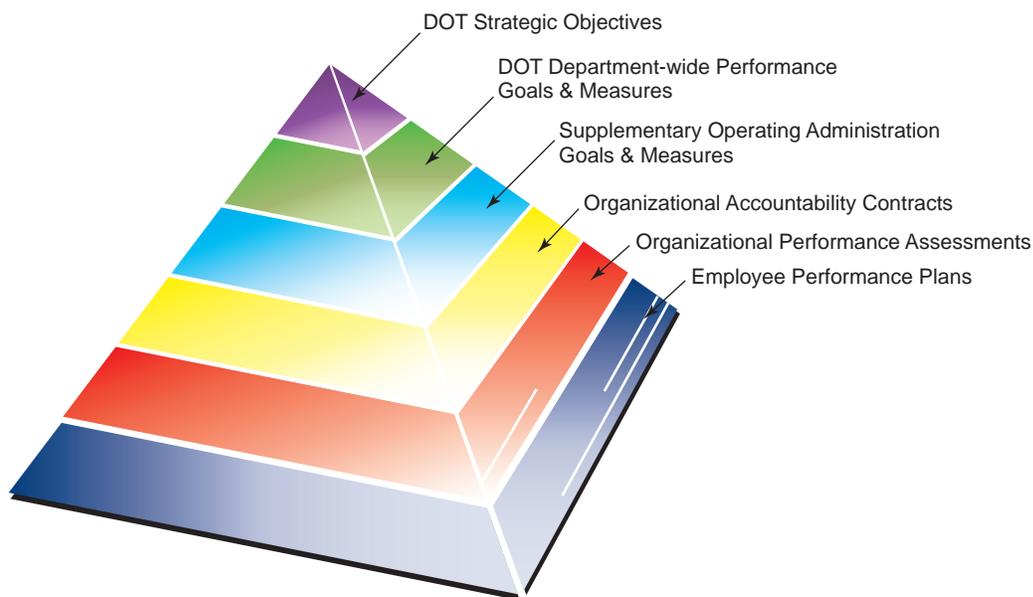
- **Performance accountability** for DOT organizations, executives, and employees embed the philosophy of managing for performance into the Department’s culture and daily practices. Performance accountability within the Department is accomplished through the following mechanisms:

Organizational Accountability Contracts—Prepared at the beginning of each fiscal year, these agreements between the Secretary of Transportation and each modal administrator document expected levels of organizational performance for the upcoming year.

DOT Organizational Assessments of Performance—A review of each operating administration’s performance is done at the end of the fiscal year to assess the organization’s success in the following areas: meeting Department-wide performance targets; results of efforts associated with addressing any management challenges or material weaknesses identified by DOT’s Office of Inspector General. The results of these assessments are then factored in to the personal performance evaluations of our senior executives.

Employee Performance Plans—Prepared early in the fiscal year, these plans document expected levels of employee performance that clearly link to our strategic objectives through the performance framework.

The following graphic describes how DOT plans, measures, manages, and reports on performance:



HOW DOT WORKS TO ACHIEVE ITS STRATEGIC OBJECTIVES AND PERFORMANCE GOALS

The Department achieves its goals through its leadership role in U.S. transportation policy, operations, investment, and research. To influence results, DOT programs rely on a number of common interventions and actions. These include:

- *Direct operations and investment in DOT capital assets that provide capability*, such as air traffic control and the St. Lawrence Seaway operations.
- *Infrastructure investments and other grants*, such as investment in highway, rail, transit, airport, and Amtrak capital infrastructure, and grants for safety, job access, or other important transportation programs.
- *Innovative financial tools and credit programs*, such as those provided for by the Transportation Infrastructure Finance and Innovation Act, and the Railroad Rehabilitation and Improvement Financing Program.
- *Rulemaking*, in areas such as equipment, vehicle, or operator standards; for improving safety; and for fostering competition in the transportation sector of the U.S. economy.
- *State/local organizational capacity building*, through training, best practices, peer-to-peer exchanges and other activities that strengthen the capability of State Departments of Transportation, Metropolitan Planning Organizations, and local governments to play their essential front-line role in planning, investing in, and operating highway and transit systems.
- *Enforcement* to ensure compliance, including inspections, investigations, and penalty action.
- *Research and technology development and application*, such as fostering new materials and technologies in transportation, and transportation related research.
- *Education and outreach*, such as consumer awareness, and campaigns to influence personal behavior.
- *Public Information*, such as that provided by the Bureau of Transportation Statistics, and each DOT Operating Administration, so that States, localities, regions, and private sector entities can better plan their activities.

Some of these interventions and actions reside entirely within the Federal Government, but most involve significant partnering with State and local authorities and with the transportation industry. These are the broad areas of action that DOT—and State and local governments—commonly use to bring about desired results.

*The following tables present the results over several years, when possible, of all the performance measures tracked in this report. The measures are grouped by strategic goal.

SAFETY PERFORMANCE SUMMARY

Performance Measure	2003	2004	2005	2006	2007	2008	2009 Actual	2009 Target	Met/ Not Met
Passenger vehicle occupant highway fatality rate per 100 million passenger vehicle-miles traveled (VMT).	1.21	1.17	1.15 (r)	1.10 (r)	1.04 (r)	1.03	0.98 – 1.04#	1.02	✓
Large truck and bus fatality rate per 100 million total VMT.	N/A	N/A	0.185	0.177 (r)	0.169 (r)	0.155 #	0.140 – 0.154#*	0.167	✓
Motorcyclist fatality rate per 100,000 motorcycle registrations.	69.16	69.83	73.48	72.42 (r)	72.48 (r)	71.30	73.75 – 74.96#	77	✓
Non-occupant fatality rate per 100 million VMT	0.19	0.19	0.20	0.19	0.18	0.18 (r)	0.18 – 0.19#	0.19	✓
Number of commercial air carrier fatalities per 100 million persons onboard	N/A	N/A	N/A	N/A	N/A	0.4 *	6.8*	8.4	✓
Fatal Accidents per 100,000 Flight Hours in General Aviation	1.28	1.20	1.23	1.14	1.08	1.10	1.15*	1.11	✗
Rail-related accidents and incidents per million train-miles	19.40	19.02	18.03 (r)	17.51 (r)	17.20 (r)	16.53 (r)	15.81	17.00	✓
Transit fatalities per 100 million passenger-miles traveled	0.461	0.467	0.428	0.389	0.437	0.332 (r)	0.243*	.463	✓
Number of serious incidents for natural gas and hazardous liquid pipelines	61	48	41	36 (r)	47	42 * (r)	53*#	38	✗
Number of serious hazardous materials transportation incidents	472	492	528	495	490 (r)	427 (r)	427*#	458	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; ✗ Not Met

Performance & Accountability Report FY2009

REDUCED CONGESTION SUMMARY

Performance Measure	2003	2004	2005	2006	2007	2008	2009 Actual	2009 Target	Met/ Not Met
Percentage of travel on the National Highway System (NHS) meeting pavement performance standards for "good" rated ride	50	52	52	54	57	56	57	57	✓
Percentage of deck area on National Highway System (NHS) bridges rated as deficient, adjusted for average daily traffic	29.8	32.0	29.9	29.2	29.7	29.5	29.2	29.0(r)	✗
Percentage of total annual urban-area travel occurring in congested conditions	28.5	28.6	28.6	28.4	27.8	27.3#	26.3#	27.4(r)	✓
Average percent change in transit boardings per transit market (150 largest transit agencies)	0.7	0.7	1.9	2.1	2.5	4.3	2.2	1.9	✓
Percent of bus fleets compliant with the Americans with Disabilities Act (ADA)	93	96	96	97(r)	98	98	98	98	✓
Percent of key rail stations compliant with the ADA	82	82	91	92	93(r)	95 *	95*	94	✓
Percent of all flights arriving within 15 minutes of schedule at the 35 Operational Evolution Plan airports due to National Airspace System related delays	82.3	79.07	88.10	88.36	86.96	87.29	88.58*	88.00	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; ✗ Not Met

GLOBAL CONNECTIVITY PERFORMANCE SUMMARY

Performance Measure	2003	2004	2005	2006	2007	2008	2009 Actual	2009 Target	Met/ Not Met
Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway system is available	98.9	99.1	99.7	99.0	99.4	98.8	99.4	99.0	✓
Number of freight corridors with an annual decrease in the average buffer index rating	N/A	N/A	N/A	3	5	21	19	13	✓
Number of National Highway System border crossings with a decrease in unexpected delay	N/A	N/A	N/A	N/A	4	3	3	5	✗
Number of potential air transportation consumers (in billions) in international markets traveling between the U.S. and countries with open skies and open trans-border aviation agreements	1.48	1.72	2.97	3.01	3.83	3.94	4.83	3.90	✓
Percent share of the total dollar value of DOT direct contracts that are awarded to women-owned businesses	4.2	3.8	6.6	8.4	10.4	7.0	9.0#	5.0(r)	✓
Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses	15.8	15.6	12.7	16.2	18	16 *	15.5#	14.6	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; ✗ Not Met

Performance & Accountability Report FY2009

ENVIRONMENTAL STEWARDSHIP PERFORMANCE SUMMARY

Performance Measure	2003	2004	2005	2006	2007	2008	2009 Actual	2009 Target	Met/ Not Met
Number of areas in conformity lapse	6.0	6.3	5.8	1.3	0.0	0.0	0.0	6.0	✓
Number of hazardous liquid pipeline spills in high consequence areas	54(r)	49	55	47 (r)	51 (r)	68 (r)	57*	49	✗
Percent DOT facilities characterized as No Further Remedial Action Planned under the Superfund Amendments and Reauthorization Act	94	93	92	92	93	94	94	93	✓
Number of Exemplary Human Environmental Initiatives undertaken	N/A	N/A	N/A	N/A	N/A	11	16	15	✓
Median time in months to complete environmental impact statements for DOT funded infrastructure projects	N/A	N/A	56	57	67	63.5	79.3	54	✗

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; ✗ Not Met

SECURITY PERFORMANCE SUMMARY

Performance Measure	2003	2004	2005	2006	2007	2008	2009 Actual	2009 Target	Met/ Not Met
Percentage of DoD-required shipping capacity complete with crews available within mobilization timelines	96	94	95	93	97	97	96*	94	✓
Percentage of DoD-designated commercial ports available for military use within DoD established readiness timelines	86	93	87	100	100	100	100*	93	✓
Percent of DOT personnel with emergency management responsibilities who are prepared to respond to disasters and emergencies	N/A	N/A	N/A	N/A	N/A	N/A	100	Baseline	N/A
Percent of DOT agencies meeting annual response requirements	N/A	N/A	N/A	N/A	N/A	N/A	96	Baseline	N/A

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; ✗ Not Met

Performance & Accountability Report FY2009

ORGANIZATIONAL EXCELLENCE PERFORMANCE SUMMARY

Performance Measure	2003	2004	2005	2006	2007	2008	2009 Actual	2009 Target	Met/ Not Met
Percent of major federally funded transportation infrastructure projects with less than 2 percent annual growth in the project completion milestone as reported in the finance plan	N/A	73	89	89	89	79	78.37	90	✗
Percent of finance plan cost estimates for major federally funded transportation infrastructure projects with less than 2 percent annual growth in project completion cost	N/A	75	81	84	83	82	83.78	90	✗
For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met	88	100	97	100	100	96.08	100	90	✓
For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met	77	91.5	92	97.4	97	93.88	93.75	90	✓

(r) Revised; * Preliminary estimate # Projection from trends; ✓ Met; ✗ Not Met

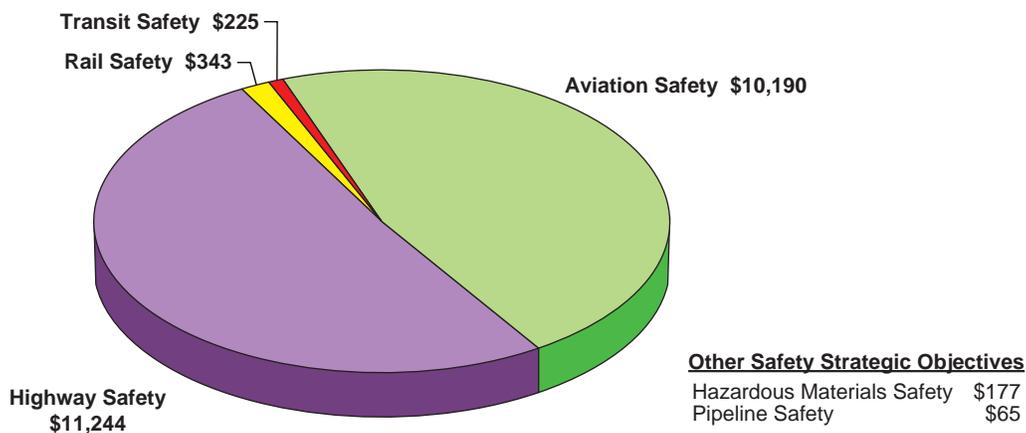
STRATEGIC AND ORGANIZATIONAL GOALS

Enhance the Public Health and Safety by Working Toward the Elimination of Transportation-Related Deaths and Injuries

Improving safety throughout the transportation network is the premier goal of the Department of Transportation. Passage of the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (SAFETEA-LU) provided a renewed foundation for innovation in vehicle and infrastructure safety, partnerships with the states, and data-driven solutions to persistent safety challenges. The *National Rail Safety Action Plan* targets the most frequent and highest-risk causes of train accidents and accelerates research into new technologies. The Federal Aviation Administration and the Pipeline and Hazardous Materials Safety Administration are implementing risk management systems, which help them identify potential problems and develop targeted responses.

The U.S. Department of Transportation leveraged \$22,250 million to promote safety in our nation's transportation system.

FY 2009 Enacted Funding by SAFETY Strategic Objectives
(Dollars in Millions)



Total FY 2009 Funding: \$22,250 Million

Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2009 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Reduction in transportation-related deaths
Reduction in transportation-related injuries

Highway Safety

- ✓ Rate of passenger vehicle occupant highway fatalities per 100 million passenger vehicle-miles (VMT) traveled.
- ✓ Rate of large truck and bus fatalities per 100 million total VMT.
- ✓ Rate of motorcyclist fatalities per 100,000 motorcycle registrations (CY).
- ✓ Rate of non-occupant fatalities per 100 million VMT (CY).

Rail Safety

- ✓ Rail-related accidents and incidents per million train-miles.

Transit Safety

- ✓ Transit fatalities per 100 million passenger-miles traveled.

Aviation Safety

- ✓ Rate of commercial air carrier fatalities per 100 million persons onboard.
- ✗ Rate of fatal general aviation accidents..

Pipeline Safety

- ✗ Number of serious incidents for natural gas and hazardous liquid pipelines.

Hazardous Materials Safety

- ✓ Number of serious hazardous materials transportation incidents.

2009 Performance Highlights

In FY 2009, highway travel was safer for motorcyclists and occupants of passenger vehicles, large trucks and buses. Motorcycle fatalities, however, remain a concern for DOT because they have increased over the last 11 years while other highway fatalities have declined.

In aviation commercial air carriers reported fewer fatalities than the targeted limit, but general aviation exceeded its performance limit. While only 3.5% of general aviation flying hours are logged by pilots in amateur-built aircraft, those aircraft account for 25% of general aviation fatal accidents.

DOT projects there will be 53 pipeline incidents by the end of calendar year 2009, which is the largest number since 2003. Preliminary data indicates that a large number of these incidents are in gas distribution systems. DOT expects these incidents will decline as gas system operators implement integrity management systems.

SAFETY

Highway Safety
FY 2009 Enacted Funds: \$11.2 Billion

Strategic Goal: Safety

Reduce transportation-related deaths and injuries.

Operating Administration: National Highway Traffic Safety Administration (NHTSA), with Federal Highway Administration (FHWA) and Federal Motor Carrier Safety Administration FMCSA).

Performance Measure: Rate of passenger vehicle occupant traffic fatalities per 100 million passenger vehicle VMT.

Why do we measure this? DOT measures this to assess the effectiveness of programs to reduce the number and severity of passenger vehicle occupant injuries and fatalities.

2009 Target: 1.02

2009 Projection: 0.98 – 1.04*

2011 Strategic Target: 0.96

How do we set targets? NHTSA, with FHWA and FMCSA, establishes measurable performance metrics for its priority programs and analyzes yearly data to gauge success toward its goals. The agency uses historical data trends to evaluate program effectiveness, and collects and compiles data to either revise existing measurements or establish new, more meaningful measures.

Public Benefit: NHTSA works with partners to promote highway safety by preventing motor vehicle crashes and reducing their associated economic costs through the development and implementation of data-driven, workable, and self-sustaining highway safety programs. In addition to lives saved and reduced injuries, the public also benefits from reduced damage to property and reduced loss of business and personal revenue.

External factors affecting performance: The combined effects of fluctuating gas prices, the economic downturn, and the change in both the mix of vehicles – towards increased use of smaller cars and motorcycles – and the means of transportation – towards walking and bicycling, as well as mass transit – indicate fundamental changes in our transportation system. While based on historical data, fatality rate projections and actual data may differ. Highway fatality rates are affected by the number of people using occupant protection (i.e. seat belts, child safety seats, air bags, etc.), the number of impaired drivers on the road, speeding, and driver distraction.

Partners: FHWA works with States to reduce the severity of crashes through roadway infrastructure and operational improvements. The FMCSA works to reduce the occurrence of crashes involving large trucks and buses, through education and outreach to truck drivers, bus drivers and motor carrier companies. States develop and implement public information and activities. National safety organizations, with the driving public, promote safer driver and passenger behavior

* Projection based on 5-year trend data; actual calendar year 2009 data available December 2010.

Motor vehicle manufacturers and suppliers promote safer cars and best vehicle safety practices.

Associated Funding:

FY 2009: \$420,785,000 (projected)

2009 Projected Results: 0.98 – 1.04 *

Description of Results: The range for the projected fatality rate for calendar year 2009 is 0.98 – 1.04. Passenger vehicles include passenger cars, light trucks, vans and SUVs. The passenger vehicle occupant fatality rate continues to fall, reaching a historic low of 1.04 in 2007. The number of passenger vehicle occupant fatalities decreased 13 percent, to 25,351 in 2008. Passenger car occupant fatalities substantially declined to 14,587 in 2008, a 12 percent drop, reaching the lowest level since DOT began keeping records in 1975. Light truck occupant fatalities fell for the third straight year, to 10,764 in 2008, a 14 percent drop and their lowest level since 1998.

Target Achievement: *Expected to meet*

Target Assessment: The total number of alcohol-impaired driving fatalities fell by 10 percent, to 11,773 in 2008. Four States passed and began enforcing primary seat belt laws in 2009. Also, 10,000 local law enforcement agencies participated in each of NHTSA's high visibility enforcement campaigns to enforce seat belt and impaired driving laws. Because new regulations give manufacturers lead time before requiring compliance, there is a time lag between new Federal Standards and their affect on fatality data. More vehicles are on the road in 2009 with the new technologies required by earlier years' regulations (such as side impact air bags, tire pressure monitoring systems, and the early introduction of electronic stability control) helped reduce traffic deaths and injuries.

Outlook and Actions: In FY 2009, NHTSA began educating consumers about improvements to the New Car Assessment Program and the new crash avoidance program for vehicles beginning with Model Year 2011. The agency continued researching newly emerging technologies, such as back-up warning systems and rear-visibility technologies, lane departure/keeping systems, and pre-crash imminent braking systems.

* Projections are based on 5-year trend data and developed using a number of statistical models, each of which provides a point estimate, resulting in a range of possible values. Providing a range underscores the uncertainty in attempting to predict a single value for 2009 at this time. Actual calendar year (CY) 2009 data will be available December 2010.

NHTSA also updated requirements for roof strength (to reduce deaths and injuries during rollovers), and issued preliminary performance recommendations to reduce ejections from a vehicle.

Timeline for affecting future performance:

FY 2010:

- Implement the Final Rule to reduce vehicle ejections.
- Complete research on newly emerging crash avoidance technologies and data collection to test vehicle safety systems, and estimate benefits of vehicle-to-vehicle and vehicle-to-infrastructure communication systems.
- Continue driver distraction research.

FY 2011:

- Develop performance criteria and objective tests to avoid crashes and reduce the effects of crashes that do occur (such as back-up warning systems and rear-visibility technologies, lane departure/keeping systems, and pre-crash imminent braking systems).
- Improve child restraint systems.
- Direct special emphasis on teen driving safety.

Strategic Goal: Safety

Reduce transportation-related deaths and injuries

Operating Administration: Federal Motor Carrier Safety Administration (FMCSA) with Federal Highway Administration (FHWA) and Federal Motor Carrier Safety Administration (FMCSA)

Performance Measure: Rate of Large Truck and Bus Fatalities Per 100 Million Total Vehicle Miles Traveled (VMT) (Calendar Year)

Why do we measure this? The DOT measures vehicle fatalities to assess the effectiveness of programs to reduce the number and severity of large truck and bus injuries and fatalities.

Target (calendar year 2009): 0.167

2009 Projection*: 0.140–0.154

Strategic Target (calendar year 2011): 0.160

How do we set targets? FMCSA, with NHTSA and FHWA, establishes measurable performance metrics for its priority programs and analyzes yearly data to gauge success toward its goals.

Public Benefit: FMCSA's initiatives significantly improved safety on our Nation's highways in CY 2009. These initiatives are responsible for over 1,300 lives saved annually and over 10,000 lives saved since CY 2000, when the agency was founded. The public also benefits from reduced injuries, reduced damages to property and reduced loss of business and personal revenue.

External Factors Affecting Performance: Commercial vehicle fatality rates are impacted by many external factors, such as the total VMT by vehicles. The calendar year 2009 target was based on the assumption that the total VMT would rise four percent each year. Instead of rising, however, total mileage decreased by 3.4 percent from calendar year 2007 to calendar year 2008, and preliminary data suggests total VMT will drop further in calendar year 2009. FMCSA and its State partners continue to make steady progress in reducing the number of fatalities. In calendar year 2009, the total number of fatalities is expected to decrease between 2.3 and 11.2 percent resulting in a significantly improved projected fatality rate range of 0.140 to 0.154. If the VMT had risen by the expected 4 percent in calendar year 2008, then the calendar year 2008 fatality rate would have been 0.144 or 30 percent better than the fatality rate realized in the agency's first year (calendar year 2000). External factors such as fluctuating gas prices and the demographics of the drivers (age, driving experience) may have contributed to the agency exceeding its 2009 calendar year target.

Partners: National Highway Traffic Safety Administration (NHTSA) develops, sets, and enforces vehicle safety standards related to new trucks and buses, and determines safety related defects prompting recalls. In addition, FMCSA, and along with NHTSA, analyzes the causes of commercial motor vehicle crashes. The Federal Highway Administration (FHWA) works to reduce the severity of crashes through roadway infrastructure and operational improvements. States develop and implement and

* The calendar year (CY) range for large truck and bus fatalities per 100 million VMT is a projected set of values and the actual result will not be available until December 2010. Range projection was based on analysis of partial data for CY 2009.

public information and education materials and activities. National safety organizations and motor vehicle manufacturers and suppliers promote best behavioral and vehicle safety practices.

Associated Funding:
FY 2009 \$483,074,000

2009 Projected Results: 0.140 to 0.154 bus and truck fatalities per 100 million VMT.

Description of Results: This result can be attributed to the implementation and maturation of several safety programs, either implemented or augmented from the 2005 Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (SAFETEA-LU). SAFETEA-LU authorized activities in outreach, education, enforcement, roadside inspections, and authorized financial assistance to fund partner support. In 2009, the agency performed approximately 17,000 compliance reviews, 37,000 new entrant audits, 3.3 million large truck inspections on the roadside, and over 100,000 roadside inspections of passenger carriers. These initiatives contributed greatly to achieving the lowest recorded fatality rate in the agency's history, which also exceeds the CY 2011 goal of no more than 0.160 fatalities per 100 million VMT.

Target Achievement: *Exceeded*

Target Assessment: As of CY 2009 the fatality rate from crashes involving large trucks and buses are expected to fall to no more than 0.154 fatalities per 100 million VMT. This represents a 24.9 percent improvement over calendar year CY 2000, the year the agency was established. FMCSA also exceeded its CY 2011 strategic goal of reducing fatalities involving commercial motor vehicles (CMVs) to no more than 0.160 fatalities per 100 million VMT, three years early in CY 2008. Much of the success may be attributed to safety-related activities performed by FMCSA and its state partners. The agency and state partners performed over 3.3 million roadside inspections, over 17,000 compliance reviews, over 3,000 hazardous material reviews, and over 37,500 new entrant safety audits.

Outlook and Actions: FMCSA's success is impacted by the level of safety maintained by the growing CMV industry. The performance outlook for this measure is expected to improve following the anticipated issuance in calendar year 2010 of the following final rule entitled "Minimum Training Requirements for Entry Level Commercial Motor Vehicle Operations"; a final rule entitled "Commercial Driver's License Testing and Commercial Learner's Permit Standards"; a final rule entitled "National Registry

of Certified Medical Examiners”; a final rule entitled “Electronic On-Board Recorders for Hours-of-Service Compliance,” and a notice of proposed rulemaking entitled “CMV Driver Positive Controlled Substances and Alcohol Test Results Database.”

Timeline for Affecting Future Performance: The FMCSA expects performance to continue to improve based on FMCSA plans:

- Focus more resources on the enforcement of carrier and driver noncompliance concerning drugs and alcohol.
- Implement a Medical Examination Reporting System
- Fully implement its Comprehensive Safety Analysis 2010 to “touch” more regulated entities through nine interventions: (1) warning letter, (2) targeted roadside inspection, (3) off-site investigation, (4) on-site investigation-focused, (5) cooperative safety plan, (6) notice of violation, (7) on-site comprehensive investigation, (8) notice of claim, and (9) suspension.

Strategic Goal: Safety

Reduce transportation-related deaths and injuries.

Operating Administration: National Highway Traffic Safety Administration (NHTSA) with Federal Highway Administration (FHWA) and Federal Motor Carrier Safety Administration (FMCSA).

Performance Measure: Reduce the rate of motorcyclist highway fatalities per 100,000 motorcycle registrations.

Why do we measure this? The DOT measures this to assess the effectiveness of programs to reduce the number and severity of motorcyclist injuries and fatalities. Additionally, motorcyclists fatalities have been increasing for the past 11 years, offsetting the declining numbers among other road users (i.e. passenger vehicles, large trucks and buses and non-occupants).

2009 Target: 77

2009 Projection: 73.75 – 74.96 *

2011 Strategic Target: 79

* Projection based on 5-year trend data; actual calendar year 2009 data available December 2010.

How do we set targets? The NHTSA, with FHWA and FMCSA, establishes measurable performance metrics for its priority programs and analyzes yearly data to gauge success toward its goals. The agency uses historical data trends to evaluate program effectiveness, and collects and compiles data to either revise existing measurements or establish new, more meaningful measures.

Public Benefit: NHTSA works with partners to promote highway safety to prevent motor vehicle crashes and reduce their associated economic costs through the development and implementation of data-driven, workable, and self-sustaining highway safety programs. In addition to lives saved and reduced injuries, the public also benefits from reduced damages to property and reduced loss of business and personal revenue.

External factors affecting performance: The combined effects of fluctuating gas prices, the economic downturn, and the change in both the mix of vehicles – towards increased use of smaller cars and motorcycles—and the means of transportation—towards walking and bicycling, as well as mass transit—indicate fundamental changes in our transportation system. While based on historical data, NHTSA’s projections of highway fatalities for a given year and actual fatality numbers, which are finalized a year after projections are made, may differ. Highway fatality rates are affected by the number of people using occupant protection, (i.e. motorcycle helmets, etc.), the number of impaired drivers on the road, speeding, driver distraction and other traffic safety issues.

Partners: FHWA works to reduce the severity of crashes through roadway infrastructure and operational improvements. The FMCSA works to reduce the occurrence of crashes involving large trucks and buses, through education and outreach to truck drivers, bus drivers and motor carrier companies, as well as through targeted roadside enforcement and safety reviews of carrier operations. States develop and implement enforcement programs and public information and education materials and activities. National safety organizations and motor vehicle manufacturers and suppliers promote behavioral and vehicle safety practices.

Associated Funding:

FY 2009: \$11,006 (projected)

2009 Projected Results: 73.75 – 74.96 *

Description of Results: The range for the projected fatality rate for calendar year 2009 is 73.75 – 74.96. Data from 2008 show that motorcyclist fatalities increased for every age group. A 10-year trend (1998 to 2008) of motorcyclist fatalities by age group shows that there has been a 75 percent increase in fatalities in the under-30 age group, a 61 percent increase in the 30-39 age group, and a 254 percent increase in the 40+ age group. In addition, higher speed crashes result in more severe injuries. In 2008, the percentage of motorcycle riders involved in fatal crashes with .08+ BAC levels (29%) was higher than for any other type of motor vehicle driver, and one-fourth of all motorcycle riders killed did not have a motorcycle endorsement at the time of the collision.

Target Achievement: *Expected to exceed*

Target Assessment: A less optimistic forecast for motorcycle sales, in conjunction with increased enforcement of impaired riding laws and the absence of additional repeals of State universal helmet laws, should allow the agency to achieve the motorcycle safety target.

Outlook and Actions: During FY 2009, NHTSA completed a study on ways to make motorcyclists more visible to other motorists. The NHTSA also studied how motorcycle riders use their brakes in various emergency stopping and maneuvering situations as part of the agency's research on anti-lock braking and combined braking systems. Additionally, the agency continued the development of national standards for motorcycle rider training, and released the *Guidelines for Motorcycle Operator Licensing* and the *Riders Helping Riders* instructional program to help reduce impaired riding.

Timeline for affecting future performance:**FY 2010:**

- Evaluate the usability and crash mitigation features of motorcycle helmets.
- Develop objective tests for motorcycle combined braking systems.
- Determine the potential of enhanced lighting to make motorcyclists more visible to other drivers during the day.

* Projections are based on 5-year trend data and developed using a number of statistical models, each of which provides a point estimate, resulting in a range of possible values. Providing a range underscores the uncertainty in attempting to predict a single value for 2009 at this time. Actual calendar year (CY) 2009 data will be available December 2010.

- Select the most promising non-intrusive alcohol detection technologies for development into a testable prototype.
- Begin work on Motorcycle Crash Causation project, which will provide detailed information on a large sample of serious motorcycle crashes.
- Complete national standards for motorcycle rider training, and assist States incorporating these standards and best practices into their novice driver testing and driver improvement programs.
- Require states to report on their highway safety performance measures.

FY 2011:

- Issue a Notice of Proposed Rulemaking to require Antilock Braking Systems.
 - Increase testing and enforcement of compliance of imported goods.
-

Strategic Goal: Safety

Reduce transportation-related deaths and injuries.

Operating Administration: National Highway Traffic Safety Administration (NHTSA) with Federal Highway Administration (FHWA) and Federal Motor Carrier Safety Administration (FMCSA).

Performance Measure: Rate of non-occupant fatalities per 100 million vehicle miles traveled (VMT).

Why do we measure this? DOT measures this to assess the effectiveness of programs to reduce the number and severity of non-occupant (i.e. pedestrians, pedalcyclists, etc.) injuries and fatalities.

2009 Target: 0.19

2009 Projection: 0.18 – 0.19*

2011 Strategic Target: 0.18

* Projection based on 5-year trend data; actual calendar year 2009 data available December 2010.

How do we set targets? NHTSA with FHWA and FMCSA, establishes measurable performance metrics for its priority programs that are measurable and analyzes yearly data to gauge success toward achieving its goals. The agency uses historical data trends to evaluate program effectiveness, and collects and compiles data to either revise existing measurements or establish new, more meaningful measures.

Public Benefit: NHTSA works with partners to promote highway safety to prevent motor vehicle crashes and reduce their associated economic costs through the development and implementation of data-driven, workable, and self-sustaining highway safety programs towards achieving a reduction in highway safety fatalities. In addition to lives saved and reduced injuries, the public also benefits from reduced damages to property and reduced loss of business and personal revenue.

External factors affecting performance: The combined effects of fluctuating gas prices, the economic downturn, and the change in both the mix of vehicles – towards increased use of smaller cars and motorcycles—and the means of transportation—towards walking and bicycling, as well as mass transit—indicate fundamental changes in our transportation system. While based on historical data, fatality rate projections and actual data may differ. Highway fatality rates are affected by the number of people using occupant protection (i.e. seat belts, child safety seats, bicycle helmets, etc.), the number of impaired drivers and non-occupants on the road, speeding, driver distraction, and education and enforcement strategies to reduce crashes involving non-occupants.

Partners: The Federal Highway Administration (FHWA) works to reduce the severity of crashes through roadway infrastructure and operational improvements. The Federal Motor Carrier Safety Administration (FMCSA) works to reduce the occurrence of crashes involving large trucks and buses, through enforcement, education, and outreach to truck drivers, bus drivers and motor carrier companies. States develop and implement enforcement programs and public information and education materials and activities. National safety organizations (such as the National Center for Bicycling and Walking (NCBW), the Pedestrian and Bicyclist Information Center (PBIC), and the National Safe Routes to School Partnership) promote best non-occupant safety practices.

Associated Funding:

FY 2009: \$204,403,000 (projected)

2009 Projected Results: Projection: 0.18 – 0.19 *

Description of Results: The projected fatality rate range for calendar year 2009 is 0.18 – 0.19. The number of non-occupants (such as pedestrians and pedalcyclists) killed in motor vehicle crashes decreased by 5 percent, to 5,282 in 2008. The number of pedestrian fatalities decreased to 4,378 in 2008, a 7 percent decrease, whereas the number of pedalcyclists killed increased by 2 percent to 716 in 2008. The non-occupant fatality rate uses overall VMT because pedestrian, pedalcyclist, and other non-occupant miles traveled are not available.

Target Achievement: *Expected to meet*

Target Assessment: Road users are becoming more aware of pedestrians and pedalcyclists with the increase in walking and bicycling for recreation and transportation. The increase in awareness, in the number and improved quality of travel facilities, and in educational and enforcement programs, should enable DOT to achieve the target.

Outlook and Actions: In FY 2009, NHTSA issued a Notice of Proposed Rulemaking (NPRM) proposing a global regulation on pedestrian safety. The agency initiated demonstration projects in States and cities with high numbers of pedestrian crashes to support enforcement and educational plans to reduce pedestrian fatalities. NHTSA developed a training program for law enforcement officers and an English for Speakers of Other Languages (ESOL) pedestrian/bicycle safety course curriculum.

Timeline for affecting future performance:

FY 2010:

- Issue NPRM to increase driver ability to see behind the rear of the vehicle to support the Kids Transportation Safety Act.
- Develop, test and market education and enforcement programs to reduce the incidence of crashes involving pedestrians and bicyclists who are impaired, older, or non-English speakers.
- Require states to report on their highway safety performance measures.

* Projections are based on 5-year trend data and developed using a number of statistical models, each of which provides a point estimate, resulting in a range of possible values. Providing a range underscores the uncertainty in attempting to predict a single value for 2009 at this time. Actual calendar year (CY) 2009 data will be available December 2010.

FY 2011:

- Finalize regulations and provide consumers with up-to-date information about traffic hazards to children (injuries and deaths because of hyperthermia, power windows, getting stuck by seatbelts or in trunks, or vehicles backing up).
- Release the results of a study of pedestrian hit and run crashes.
- Complete and promote a bicycle safety curricula for middle and high school youth.
- Require states to report on their highway safety performance measures.

Aviation Safety

FY 2009 Enacted Funds: \$10.2 Billion

Strategic Goal: Safety

Reduce transportation-related deaths and injuries

Operating Administration: FAA

Performance Measure: Rate of fatalities per 100 million persons on board commercial air carriers in half by 2025.

Why do we measure this? FAA chose this measure because it communicates the individual risk to the flying public in an understandable way.

Target: 8.4 fatalities per 100 million people on board

Actual: 6.8 (preliminary)

Strategic Target: Cut the rate of fatalities per 100 million persons on board in half by 2025.

How do we set targets? The FAA chose the FY 2009 target to reflect a linear reduction based on the strategic target to reduce fatalities per 100 million persons on board to 4.4% by the year 2025. The baseline, 8.88%, is based on data collected between 1997 and 2006.

Public Benefit: As fatal air carrier accidents have declined in terms of average fatalities per accident, this measure will sharpen FAA's focus on helping air travel become even safer.

External factors affecting performance: Approximately 80% of fatal accidents are directly related to some form or combination of human factors. To address some of these risks, FAA will continue to work with aviation industry stakeholders to establish Safety Management System (SMS) in their own organizations to identify potential risk areas.

Partners: Bureau of Transportation Statistics (BTS), Congress, National Transportation Safety Board, manufacturers, air carriers, unions, associations, International Civil Aviation Organization (ICAO), Civil Airworthiness Authority (CAA).

Associated Funding

FY 2009: \$ 8,654,532,000

2009 Actual Results: 6.8 (preliminary) fatalities per 100 million people on board

Description of Results: In FY 2009, there were two commercial fatal accidents with 52 fatalities. Despite these tragedies, however, FAA was able to maintain the commercial air carrier rate below 8.4 fatalities per 100 million people on board. During the year FAA implemented many safety critical initiatives that helped to keep this rate below its target.

The FAA uses two additional measures to support the Commercial Air Carrier Fatality Rate. These measures are:

- Total Runway Incursions - measures the total number of times an aircraft, vehicle or person is in the path of an aircraft cleared for landing or takeoff.
- Operational Errors - measures the number of times aircraft failed to maintain a safe distance from other aircraft, terrain, obstructions, and restricted airspace.

During FY 2009, FAA successfully maintained the number of runway incursions below our ceiling of 1009 by enhancing airport surface markings, increasing emphasis on education and awareness, revising FAA air traffic control procedures, and forming the Runway Safety Council to review opportunities for improvement.

However, FY 2009 was a difficult year for FAA in the area of Operational Errors. The FAA ended slightly over the target of 2.10 serious Operational Errors per million activities. The agency is reviewing these incidents to identify causal factors and develop mitigation plans for FY 2010 and 2011.

Target Achievement: *Exceeded*

Target Assessment: Safety critical initiatives implemented in FY 2009 were instrumental in mitigating other potential risks. These were among the most crucial:

- Worked with industry to implement the roadmap for Performance-Based Navigation, allowing aircraft to fly closer together, increasing overall capacity, and safely fly a more direct route from Point A to Point B, thereby improving efficiency.
- Continued to provide pilots, flight attendants, and dispatchers best practices, policies, procedures and training used to mitigate human error risk.
- Developed guidance for third party sources to develop Public Required Navigation Performance Special Aircraft and Aircrew Authorization Required approach procedures. This guidance will result in increased navigational precision by aircraft and can reduce spacing—and thus increase airspace capacity—without compromising safety.
- Developed a strategic plan to address Inspector General recommendations.

Outlook and Actions: FAA's safety record indicates that it has mitigated predictable risk factors that result in accidents or incidents. The challenge now is to identify any remaining risks and eliminate, minimize, or manage them. FAA is working with aviation industry stakeholders to establish SMS within their operations. With these systems in place, FAA and the aviation industry will work together to address these risks. The following action plan addresses some additional initiatives that will help to mitigate risk in the future.

Timeline for affecting future performance:

FY 2010

- Address the safety issues the National Transportation Safety Board has identified.
- Initiate integration of initial data set into the Aviation Safety Information Analysis Sharing program. This initial data set will leverage internal FAA datasets, airline safety data, publicly available data and other aviation industry and government data sources, such as radar and track data, weather

data, airport and airspace information, and a vast amount of ATM operational data, providing capabilities to track safety trends, not only in terms of what the risks are, but also the reasons for the risks, helping to formulate risk mitigation strategies.

- Develop, test and deploy web-based Voluntary Disclosure Reporting Program (VDRP). The VDRP is intended to provide a venue for certificated companies (e.g. airlines and repair stations) to voluntarily disclose their own violations to the FAA. The web-based system is subject to a phased implementation plan. Presently the system is fully operational for airlines. In FY2010, system implementation will expand to include repair stations.

FY 2011

- Deliver dependent surveillance to key sites. The global satellite network will improve situational awareness, meaning pilots will be able to fly at safe distances from one another with less assistance from air traffic controllers.
- Develop and publish Wide Area Augmentation System (WAAS) approaches. The WAAS corrects for the GPS satellite position errors, ionosphere delays, and other disturbances in the GPS signals, improving the accuracy and reliability of the users' position solution. More importantly, WAAS warns the pilot when the satellites are not functioning correctly and should not be used for navigation.
- Modernize and maintain the Notices to Airmen System (NOTAMS).
- Implement SMS and a voluntary reporting system of safety related events.

Strategic Goal: Safety

Reduce transportation-related deaths and injuries

Operating Administration: Federal Aviation Administration (FAA)

Performance Measure: Limit the general aviation fatal accident rate to no more than 1.11 fatal accidents per 100,000 flight hours.

Why do we measure this? The FAA shifted to a rate based measure in FY 2009 because it tracks the fleet activity levels and their relationship to the number of fatal accidents. This performance measure is a true rate-based metric and tracks changes in the fatal accident rate for a fixed volume of flight hours (per 100,000).

Target: Limit the general aviation fatal accident rate to no more than 1.11 fatal accidents per 100,000 flight hours.

Actual: 1.15 (preliminary)
Fatal accidents per 100,000 flight hours.

Strategic Target: Reduce the fatal accident rate per 100,000 flight hours by 10 percent over a 10 year period. (2009–2018)

How do we set targets? The baseline used to develop the target for this measure was based on data collected from June 2006 through May 2008. Government and industry consensus was to work toward a 10% reduction in 10 years from this baseline. Each year's annual target is a linear reduction to achieve the overall 10% reduction in 10 years.

Public Benefit: By tracking the rate of fatal accidents per flight hours, FAA can more accurately pinpoint safety concerns or trends indicating potential safety concerns.

External factors affecting performance: Approximately 80% of general aviation fatal accidents are directly related to some form or combination of human factors. These human factor influences are occurring in a broad spectrum of general aviation activities from more highly regulated on-demand air taxi service in sophisticated aircraft, to more loosely regulated recreational flying in homebuilt aircraft.

Partners: National Transportation Safety Board and General Aviation Joint Steering Committee, Congress, manufacturers, training schools, associations, Civil Airworthiness Authority

Associated Funding

FY 2009: \$1,520,800,000

Actual results: 1.15 (preliminary) general aviation fatal accidents per 100,000 flight hours.

Description of Results: In FY 2009, FAA introduced a new safety performance metric for general aviation. The metric is a true rate-based metric and tracks changes in the fatal accident rate for a fixed volume of flight hours (per 100,000). The previous measure was not rate-based and did not reflect fleet activity levels and its relationship to

the number of fatal accidents. The new measure's target is a 10% reduction in fatalities in a 10 year period or by 2018.

The FAA did not meet the target this year for reducing the General Aviation Fatal accident rate per 100,000 flight hours. We anticipate a rate of 1.15 fatal accidents per 100,000 flight hours.

While FAA did not meet the target for FY 2009, it put in place several initiatives to focus on its shortfalls. FAA has a strong commitment to initiatives that will continue to help mitigate the risks of General Aviation in Alaska while reducing General Aviation accidents involving experimental amateur built aircraft. In Alaska, we intend to use PA-18 training devices (Piper Super Cub Simulators) for biennial flight reviews, tail-wheel endorsements, training, and FAA 44709s. FAA 44709s are orders suspending or revoking an aviation certificate if FAA determines that safety in air commerce or air transportation and the public interest require that action. Additionally, an ongoing off airport accident reduction program through the Alaskan Region will remain in place. This includes aviation hunting season seminars, development and distribution of the "Alaskan Off Airport Operations Guide", and over 400 face to face contacts with pilots. To aid in the reduction of accidents by amateur built aircraft, FAA is establishing a Flight Standardization board for Experimental Amateur-Built Aircraft.

Target Achievement: *Failed to meet*

Target Assessment: The primary reason for the FY 2009 shortfall is in the area of amateur-built aircraft. Amateur-built aircraft accounted for approximately 25% of general aviation fatal accidents in FY 2009 while only contributing 3.5% of general aviation hours.

Future Outlook and Actions: FAA will continue to investigate, develop and implement new strategic initiatives to address the challenges of creating a safe environment for on-demand and general aviation flights. Additionally, the agency will work to identify human factors that may contribute to accidents. This information will be used to develop and implement strategies, methods, and technologies that reduce safety risks. The FAA's General Aviation Joint Steering Committee and its sub-teams produce numerous products and aids to help improve pilot performance and decision making. FAA is also developing a new amateur-built aircraft sub-team under the General Aviation Joint Steering Committee. This sub-team will focus on the development of additional measures to help reduce fatal accidents in amateur-built aircraft.

Timeline for affecting future performance:**FY 2010**

- Continue delivery of dependent surveillance programs to transition the air traffic control system from one that relies on radar technology to a system that uses precise location data from the global satellite network.
- Develop policies, procedures, and approval processes to enable operation of unmanned aircraft systems (UAS).
- Develop and publish 500 Wide Area Augmentation System (WAAS) approaches, enabling an extremely accurate navigation system by allowing pilots to fly more precise approaches.
- Identify issues; create strategies, and initiative action plans for commuter and on-demand operations.
- Continue development and implementation of the International Helicopter Safety Team recommendations.

Rail Safety

FY 2009 Enacted Funds: \$343 Million

Strategic Goal: Safety

Reduce transportation-related deaths and injuries

Operating Administration: Federal Railroad Administration (FRA)

Performance Measure: Rail-related accidents and incidents per million train-miles

Why do we measure this? This measure was included in the current DOT Strategic Plan (2006–2011), which was developed in year 2005. It was used because it provides an over-arching measure for FRA's six internal safety performance measures, and because it ably reflects the vastness of America's rail environment (e.g. Train accidents; employee accidents/incidents; grade crossing incidents; trespasser incidents).

Target: 17.00

Actual: 15.81

Strategic Target: 17.84

How do we set targets? Targets are set based on data from prior years and the current year funds directed towards improving research, outreach, and other efforts to the program.

Public Benefit: The National Rail Safety Action Plan was instituted to target the most frequent, highest-risk causes of train accidents, to focus FRA oversight and inspection resources more precisely, and to accelerate research efforts that had the potential to lessen the largest risks. An increased awareness of train safety (at grade crossings or through operator behavior) provides public benefits through fewer casualties (deaths and injuries), fewer hazmat releases into the environment, the lowering of hospital and insurance expenses, and fewer reportable damaged goods.

External factors affecting performance: Public drivers/pedestrians. In 2008, 287 people were killed in almost 2,400 grade-crossing incidents nationwide. Many of these deaths were caused by drivers illegally avoiding protective devices at crossings. Additionally, more than 450 people died while trespassing on rail rights-of-way. These two categories account for more than 90 percent of all rail-related deaths and, because many involve behavioral factors, they are difficult to address effectively.

Partners: Private rail operators; State and local governments; and Operation Lifesaver. Railroad operators have the most direct effect on safety as owners and operators of their rail systems. States have a less direct role, but influence safety through legislative and regulatory efforts. Operation Lifesaver, a national, nonprofit safety education organization, promotes safety at grade crossings and on rail rights-of-way. FRA interacts with the railroads and states through the Rail Safety Advisory Committee, designed to develop mutually satisfactory solutions on safety regulatory issues. FRA funds and partners with Operation Lifesaver to sponsor trainers and volunteers, and helps produce brochures, videos, etc. for public use.

Associated Funding:

FY 2009: \$159,445,000

Actual results: 15.81 rail-related accidents and incidents per million train-miles

Descriptor of Results: These results are based on eleven months of preliminary reporting data from the railroads. Part of the performance success is attributable to FRA's targeted inspection efforts on railroads, such as yard switching operations,

track integrity, top causes of equipment failures, etc. The focused inspections use the safety and inspection data gathered by FRA, analyze the type and kind of accidents/incidents, and find commonalities to assist in determining where FRA inspectors should best use their resources.

Transit Safety FY 2009 Enacted Funds: \$10.2 Million

Strategic Goal: Safety

Reduce transportation-related deaths and injuries

Operating Administration: Federal Transit Administration (FTA)

Performance Measure: Transit Fatalities per 100 million passenger-miles traveled

Why do we measure this? This measure demonstrates the results of FTA safety initiatives

Target: Target for 2009 is .463 transit fatalities per 100 million passenger-miles traveled

Actual: 0.243 fatalities (preliminary) per 100 million passenger-miles traveled.

Strategic Target: .453 fatalities per 100 million passenger-miles traveled

How do we set targets? The target is set based on the performance trends over three to five years.

Public Benefit: The public benefits of riding transit are a cleaner environment, reduced dependence on foreign oil, basic mobility and accessibility for underserved populations and a positive contribution toward reducing travel costs through less congested roads.

External factors affecting performance: The age and condition of the transportation infrastructure has an impact on the safety of the system. FTA does not currently have the statutory authority to address specific safety issues such as hours of service,

vehicle and track safety standards, or providing additional enforcement authority and resources for safety oversight programs. The state of asset management at local transit agencies is inconsistent.

Partners: State and local transit agencies and decision makers

Associated Funding

FY 2009: \$10,218,000

Actual results: Preliminary estimate of actual performance for FY 2009 is 0.243 fatalities per 100 million passenger-miles traveled.

Description of Results: Currently transit is one of the safest modes of travel per passenger miles traveled. Each day the nation's bus, rail, ferryboat and paratransit systems provide over 33 million passenger trips. The challenge is to continue to improve on the current safety record for transit as the number of people using transit continues to rise and the transit infrastructure continues to age.

Target Achievement: *Expected to meet target*

Target Assessment: FTA uses a multi-faceted approach to maintain its safety record. Investments in replacing and maintaining the transit infrastructure improves its safety. Oversight, technical assistance, safety-related data collection and analyses, and training to help the transit industry understand and implement innovative safety and security strategies. Research is conducted on new technologies and safety practices to reduce the risks of accidents and fatalities. The FTA works with the states to implement the State Safety Oversight for Rail and Rail Fixed Guideway Systems rules. Five years of audits conducted by FTA have shown that the drug and alcohol programs of grantee, sub-recipients, and their contractors are usually in compliance with testing rules. The Administration is proposing reforms to address certain weaknesses in transit safety, oversight, and safety enforcement.

Pipeline Safety

FY 2009 Enacted Funds: \$72 Million

Strategic Goal: Safety

Reduce transportation related deaths and injuries

Operating Administration: Pipelines and Hazardous Materials Safety Administration (PHMSA)

Performance Measure: Number of serious incidents for natural gas and hazardous liquid pipelines

Why do we measure this? Serious incidents are those involving death or major injury—the prevention of which is the most important safety outcome for the pipeline safety program.

Target: 38

Actual: 53 (projected)

Strategic Target: 36 (by 2011)

How do we set targets? Targets reflect continuation of the long-term (20-year) statistical trend, which has shown a 10% decline every three years.

Public Benefit: Reducing incidents involving death or major injury directly impact public and occupational safety, and contribute directly to achieving the DOT Strategic Goal for safety.

External factors affecting performance: Excavation damage, damage from natural forces (e.g., storms and flooding), and other outside force damage are all significant causes of pipeline failure. Operating error by individuals is another significant cause of failure.

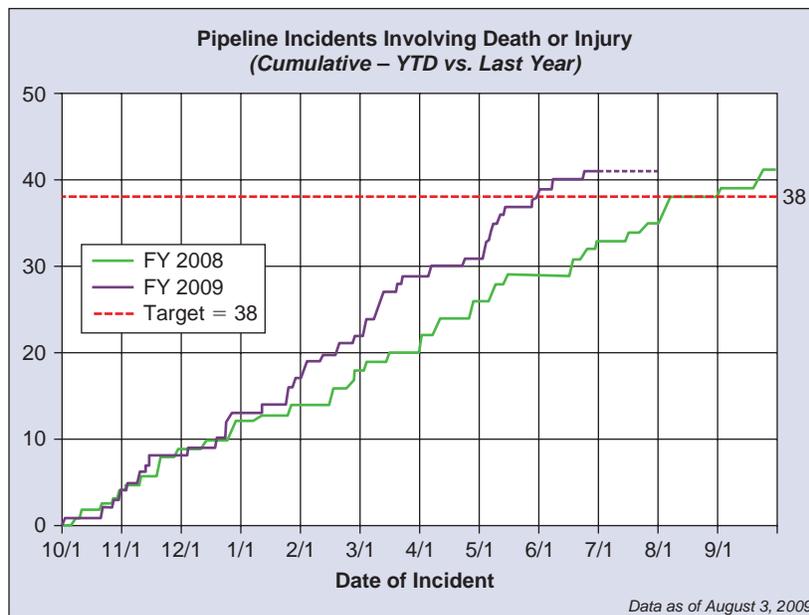
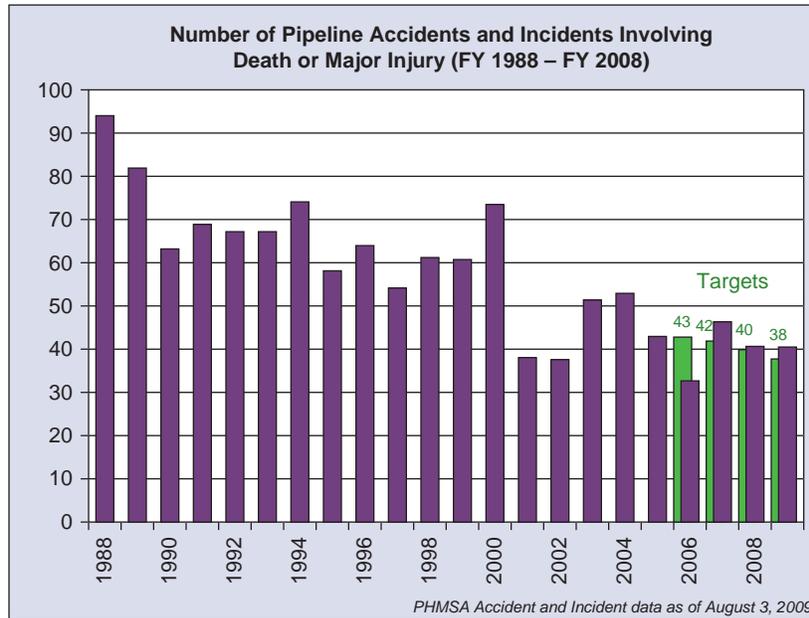
Partners: State pipeline safety agencies inspect about 80% of all pipelines.

Associated Funding

FY 2009: \$72,191,000

Actual results: 53 incidents (projected)

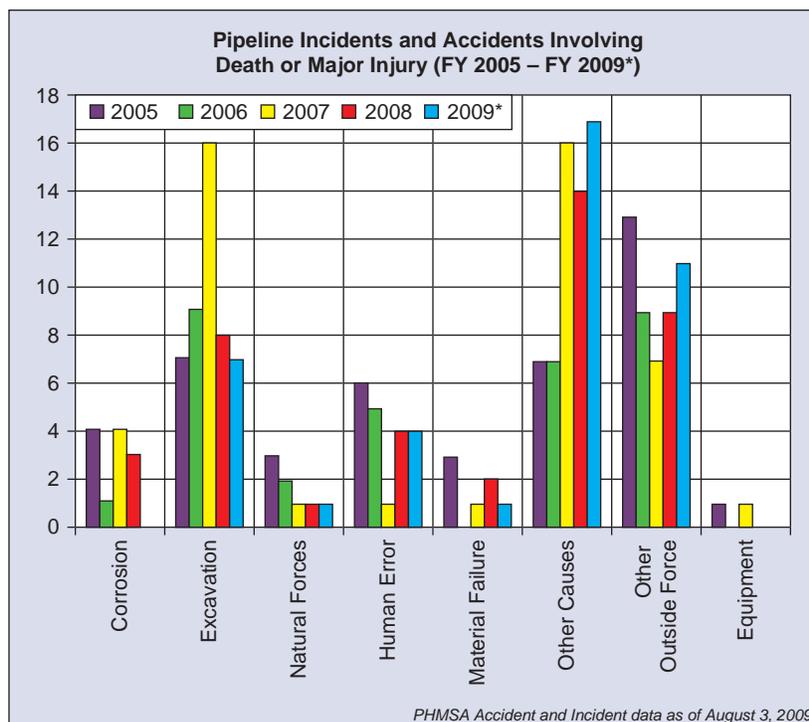
Description of Results: PHMSA projects that it has already missed its goal of 38 Pipeline Incidents Involving Death or Injury in 2009. By the beginning of September there had already been 37 pipeline incidents that caused a death or injury. If this trend continues, pipeline accidents could account for 53 deaths and injuries in 2009.



Hazardous liquid pipeline systems have thus far had few accidents causing deaths or injuries. On the other hand, natural gas transmission and gas distribution systems have experienced a higher incidence of accidents causing deaths and injuries than previous years.

Target Achievement: *Expected to miss target*

Target Assessment: Of the eight causes of pipeline incidents depicted below, “Other outside force damage” appears to be the cause that is increasing. Since accidents causing deaths and injuries reported by gas distribution systems are by far the largest percentage, the PHMSA Office of Pipeline Safety is focusing its analytical efforts on the causes of these accidents. Accidents on gas distribution mains (those that usually reside in common rights-of-ways) and on meters appear to have experienced a slight uptick in FY 2009. Accidents on other locations are stable or decreasing. Accidents due to pipe material failure have decreased substantially.



Outlook and actions: The PHMSA expects to see a decline in accidents causing deaths and injuries in gas distribution systems with the Distribution Integrity Management Program. This program will require pipeline operators to systematically assess risk and take steps to mitigate it. Moreover, the Office of Pipeline Safety is putting more resources into programs to stem the increase of accidents caused by outside force and excavation.

Timeline for affecting future performance: The PHMSA expects to meet the target for 2010.

Hazardous Materials Safety FY 2009 Enacted Funds: \$177 Million

Strategic Goal: Safety

Reduce transportation-related deaths and injuries

Operating Administration: Pipelines and Hazardous Materials Safety Administration (PHMSA)

Performance Measure: Number of serious hazardous materials transportation incidents

Why do we measure this? Serious incidents reflect failures with major adverse safety consequences or with significant risk factors present. Annual hazardous materials (HAZMAT) incident data are used to track program performance, plan regulatory and outreach initiatives, and provide a statistical basis for research and analysis. The data are also used on a daily basis to target entities for enforcement efforts, and review of applications for exemption renewals.

Target: 458

Actual: 427 (projected)

Strategic Target: 448 (by 2011)

How do we set targets? Targets reflect an expected reduction of 1 percent per year.

Public Benefit: Reducing the number of serious incidents reduces risk to the general public and to hazardous materials transportation workers.

External factors affecting performance: Since this measure is not normalized for changes in risk exposure, there are several external factors that could affect the outcomes, including the volume shipped, or changes in the mix of HAZMAT shipped (e.g., new products).

Partners: FMCSA, FAA, FRA, and the U.S. Coast Guard all contribute to achieving this goal through prevention programs focused on their modes of transportation. State and local emergency responders provide an important role as well in mitigating the consequences of incidents that do occur.

Associated Funding

FY 2009: \$68,983,000

Actual results: 427 (projected)

Description of Results: The DOT expects to exceed the target for calendar year 2009, however, reliable data for the full year will not be available until early 2010.

Since 2005, FMCSA has implemented increased educational activities and stronger Federal Motor Carrier Safety Regulations and Federal Hazardous Materials Regulations. The number of serious HAZMAT incidents was reduced by various enforcement interventions such as compliance reviews, shipper reviews, cargo tank facility reviews, package inspections, vehicle inspections, educational activities, stronger regulatory standards, and the delivery of strong compliance initiatives. These activities contributed to a national improvement in the number of serious HAZMAT incidents by nine percent over 2007. The agency can attribute its success in part to increased compliance monitoring of the industry, as it is on pace to exceed the 2,773 HAZMAT reviews performed in 2008 by almost 15 percent in 2009 (3,185 projected). HAZMAT enforcement inspections conducted on the roadside are projected to rise by nine percent to 218,400 in Fiscal Year 2009.

In response to a series of incidents involving over-heated batteries carried by airline passengers, PHMSA has pursued a comprehensive strategy to address the transportation risks presented by lithium batteries. Eleven such air-mode fires have been reported during FY 2009 thus far. On August 9, 2007, DOT published a final rule to tighten the safety standards for transportation of lithium batteries, including both primary (non-rechargeable) and secondary (rechargeable) lithium batteries. The

final rule continues to enforce a limited ban on the transportation of certain lithium batteries as cargo aboard passenger aircraft and strengthens standards for the testing, handling, and packaging of lithium batteries. In addition, the program has initiated efforts aimed at reducing the transportation risks posed by batteries of all types. DOT is working with representatives of the National Transportation Safety Board, the Consumer Product Safety Commission, manufacturers of lithium batteries and battery-powered products, airlines, airline employee organizations, testing laboratories, and the emergency response and law enforcement communities to share and disseminate information about battery related risks and developments and to promote improvements in industry standards and best practices.

Target Achievement: *Expected to meet*

Outlook and Actions: The DOT is optimistic that the trend of reduced numbers of serious HAZMAT incidents in motor carriers will continue as FMCSA places a growing emphasis on the HAZMAT Safety Permit (HMSP) program. The agency issued a policy change to the states on Sept 16, 2008, entitled “Policy on Considering the Preventability of Crashes in Administrative Review Requests of HMSP Denials Based on Crash Rates in the Top 30 of the National Average.” The policy requires a carrier to submit compelling evidence and adequate proof that a crash or crashes reported to FMCSA were not preventable. Ultimately, a carrier’s request for a renewed HMSP will be denied if its crash rate exceeds prescribed regulatory limits.

To reduce the risk of fire aboard aircraft from the expanding use of battery technology, FAA is drafting a proposal to strengthen battery requirements and expects to issue it for public comment in FY 2010. Separately, a proposal to strengthen hazardous materials packaging standards for the aviation mode is also being drafted and is expected to be issued for public comment in FY 2010.

In response to the Inspector General Advisory and a Congressional review of the special permits program, PHMSA developed an action plan to modernize IT, improve data collection and analysis, and enhance the processing of special permits. These actions will improve the safe transport of hazardous materials under special permits, result in more efficient issuance of permits, and enable PHMSA to collect and analyze more reliable data—enabling PHMSA to better focus resources on reducing risks. There are serious data quality issues that make PHMSA unable to assure the completeness and reliability of this measure and the underlying data for use in measuring program performance. However, in the interest of accountability, data will continue to be collected and reported under the current practices until such time as data and statistical improvements can generate more reliable data and statistical results.

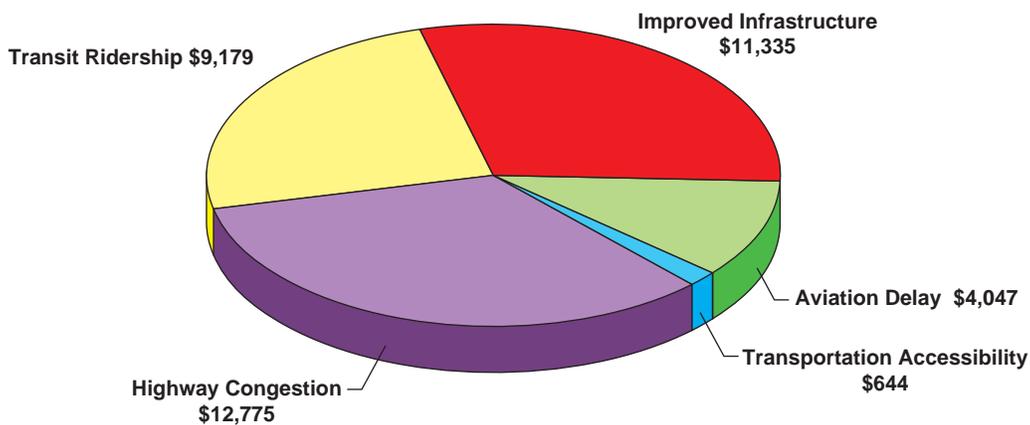
REDUCED CONGESTION

Reduce Congestion and Other Impediments to Using the Nation's Transportation System

Most Americans would not know that congestion is costing America an estimated \$200 billion a year collectively. What individual citizens do know, however, is that their time is being wasted sitting on our nation's roadways or in our airports – time that should be spent with family, friends and in our communities. The National Strategy to Reduce Congestion has elevated congestion relief to a top priority and a number of significant changes are being explored and proposed that could fundamentally change the way we plan and pay for transportation improvements. On a parallel track, the multi-agency NextGen program plans to transform aviation over the next 20 years, making it even safer and expanding capacity by a factor of 3.

The U.S. Department of Transportation leveraged \$49,115 million to reduce congestion and other impediments to mobility in the U.S transportation system.

FY 2009 Enacted Funding by REDUCED CONGESTION
Strategic Objectives
(Dollars in Millions)



Total FY 2009 Funding: \$49,115 Million

Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2009 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Highway Safety

Reduction in urban congestion.

- ✓ Percentage of total annual urban-area travel occurring in congested conditions.

Transit Ridership

Reduction in urban congestion.

- ✓ Average percent change in transit boardings per transit market (150 largest transit agencies).

Improved Infrastructure

Longer lasting, high performance transportation infrastructure.

- ✓ Percentage of travel on the National Highway System (NHS) meeting pavement performance standards for “good” rated ride.
- ✗ Percentage of deck area on National Highway System (NHS) bridges rated as deficient.

Aviation Delay

Meet new and growing demands for air transportation services through 2025 and beyond.

- ✓ Percent of all flights arriving within 15 minutes of schedule at the 35 Operational Evolution Plan airports due to NAS-related delays

Transportation Accessibility

Increased access for all Americans.

- ✓ Percent of bus fleets compliant with the ADA.
- ✓ Percent of key rail stations compliant with the ADA.

2009 Performance Highlights

- Urban-area congestion declined again, with only 26.3% of travel occurring in congested conditions.
- For the first time in three years FAA met and exceeded its target for on-time arrivals. Three factors contributed to this success: runway improvements at two major airports, improved arrival and departure accuracy, and an overall decline in air travel.

Highway Congestion

FY 2009 Enacted Fund: \$12,775 Billion

Strategic Goal: Reduced Congestion

Reduce congestion and other impediments to using the nation's transportation system.

Operating Administration: Federal Highway Administration (FHWA)

Performance Measure: Percent of total annual urban area travel time occurring in congested conditions.

Why do we measure this? This measure provides a picture of the state of congestion on the Nation's roads, specifically in urban areas. This measure is the closest to a nationwide congestion measure that can be developed using existing Highway Performance Monitoring System data sets and mature performance measurement methodology.

Target: 27.4% (revised)

Actual: 26.3%

Strategic Target: 31% in the DOT Strategic Plan (was revised in 2009 to 26.9% in 2011)

How do we set targets? The targets are set by extrapolating trend data from the previous 10 or more years.

Public Benefit: Reducing congestion saves time, money, wasted fuel and reduces green house emissions. Tracking how much time is spent in congested conditions can aid in determining the impact of public investments and transportation related policies.

External factors affecting performance: There are a number of external factors such as the level of unemployment, freight shipments and the price of fuel that can affect the volume of travel and, consequently, the level of congestion.

Partners: State and local Departments of Transportation and Metropolitan Planning Organizations are FHWA's direct partners in trying to reduce congestion. Private sector and academic researchers are partners in developing this performance measurement methodology.

Associated Funding

FY 2009: \$8,779,000,000

Actual results: 26.3%

Description of Results: The results show that congestion decreased in 2008, down from 27.8 percent in 2007. The estimated result for 2009 is 26.3 percent, down from 27.3 percent in 2008. A variety of operational strategies promoted by the DOT in the past decade have helped focus state and local government efforts on reducing congestion on their roadway networks.

DOT made progress in implementing projects that demonstrate the value of congestion pricing as a congestion reduction strategy. In Miami, the first phase of a project to convert 21 miles of I-95 to HOT (High Occupancy Toll) lanes and expand a ten-lane highway to twelve-lanes was completed. Initial studies of the benefits show improved travel times in the corridor. In Minneapolis-St. Paul, a portion of I-35 that was converted from HOV (High Occupancy Vehicles) to HOT lanes opened to traffic at the end of September. Also, FHWA announced the initial Value Pricing Pilot Program awards and issued a solicitation for the remaining FY 2009 funds and any 2010 funds that may be made available.

The FHWA signed working agreements for four multi-state corridor projects including: I-95 from Florida to the Canadian border; I-70 in Missouri, Illinois, Indiana, and Ohio; I-15 in Arizona, Utah, Nevada, and California; and I-5 in California, Oregon, and Washington. The remaining two projects are for I-10 from California to Florida and I-69 from Texas to Michigan. These projects are designed to encourage states and the private sector to work together to develop innovative approaches to alleviate congestion on major transportation corridors.

The 511 travel telephone service was launched statewide in Wisconsin, New York, and Pennsylvania, bringing the U.S. population with access to 511 services to 60 percent of the total. The 511 service provides an easy way to obtain travel information and helps travelers make better decisions on travel routes and modes. Real-time information promotes safety by directing motorists away from incidents and congestion. One study showed that 45 percent of San Francisco travelers who received information from the area's travel advisory telephone system changed their travel plans, compared to 25 percent of travelers that altered their plans based on traditional television or radio broadcasts.

Target Achievement: *Exceeded*

Target Assessment: Although not explicitly shown in the data, FHWA suggests the reduction in congestion is related to higher gasoline prices which resulted in lower

Vehicle Miles Traveled (VMT) figures for the same time period. Traffic incident management laws, policies and services potentially also had an effect on lower congestion.

Outlook and Actions: At this time, FHWA cannot specifically isolate how its programs effect traffic congestion nationwide, but does have evidence that its programs improve local congestion.

Transit Ridership

FY 2009 Enacted Funds: \$9,178 Million

Strategic Goal: Reduced Congestion

Operating Administration: Federal Transit Administration (FTA)

Performance Measure: Average percent change in transit boardings per transit market (150 largest transit agencies)

Why do we measure this? Demonstrate the impact of the FTA programs on increasing transit ridership

Target: Target for 2009 is 1.9% average increase in the transit boardings per transit market.

Actual: 2.2% (preliminary estimate)

Strategic Target: 2.0% average increase in the transit boardings per transit market

How do we set targets? The target is set based on both an analysis of the performance trends over the past several years, and an estimation of the percent of FTA's Formula Funds likely to be spent on the expansion of transit service, and the likely aggregate impact on ridership from that additional service.

Public Benefit: Increase in transit ridership is an indication that the traveling public is choosing transit over more energy intensive, congesting modes of travel. The public benefits are a cleaner environment, reduced dependence on foreign oil, basic mobility and accessibility for underserved populations and a positive contribution toward reducing travel costs through less congested roads. Annually, public transportation saves the equivalent of 855 millions gallons of gasoline – or 45 million barrels of oil. Public transit use also helps avoid the release of nearly 745,000 tons of carbon dioxide.

External factors affecting performance:

- Gasoline Prices - Higher retail gasoline prices increase the cost of driving, and lead to more consumers choosing transit, which boosts ridership.
- Economic Growth - Approximately 50% of transit trips are taken to or from work, thus transit ridership is positively correlated with employment.
- State and Local Funding - Federal funding only accounts for about 18% of total funding for public transportation and only about 8% of operating expenditures. State and Local Government sources account for over half of transit operating expenses, so cutbacks in State and Local Government support for transit may reduce overall transit service.

Partners: Transit agency grant recipients; State Departments of Transportation, local governments, metropolitan planning organizations.

Associated Funding

FY 2009: \$9,178,798,000

Actual results: 2.2% (preliminary estimate)

Description of Results: A combination of factors contributed to the increase in transit ridership.

FTA continued its United We Ride program, which targets underserved populations, and the DOT Intelligent Transportation System technologies program by using technology to create a single point of customer access to transportation services no matter what the trip, who provides the ride or who funds the services.

FTA also continued initiatives to promote ridership and recognize transit agencies that developed innovative and successful programs to increase ridership. In 2009, FTA recognized 11 transit providers who tried fresh approaches to boost their ridership. Innovations included creative advertising campaigns, fare discounts, and sensible adjustment of routes to capture a greater number of passengers. Winners of the FTA Ridership Award were divided into four population categories, ranging from service areas of under 50,000 to more than a million people.

2009 FTA Ridership Award Winners

Under 50,000 in population

- Finney County Transit, Garden City, Kansas

50,000 to 200,000 in population

- Coeur d'Alene Tribe and Citylink, Worely, Idaho
- Intercity transit, Olympia, Washington
- Ozark Regional Transit, Springdale, Arkansas
- River Valley Metro Mass Transit, Bourbonnais, Illinois
- Whatcom Transportation Authority, Bellingham, Washington

200,000 to 1 million in population

- Capital District Transportation Authority, Albany, New York
- Coast Transit Authority, Gulfport, Mississippi
- Community Transit, Everett, Washington

Over 1 million in population

- MTA Bus Company, New York City, New York

Target Achievement: *Expected to meet.*

Improved Infrastructure FY 2009 Enacted Funds: 11,335 Billion

Strategic Goal: Reduced Congestion

Reduce congestion and other impediments to using the nation's transportation system.

Operating Administration: FHWA

Performance Measure: Percent of travel on the National Highway System (NHS) meeting pavement performance standards for good ride.

Why do we measure this? Preserving the health of pavement and bridges, particularly on the approximately 160,000 miles and 116,000 bridges of the National Highway System (NHS) that includes the Interstate system, is critical to the structural integrity, functionality, and cost effectiveness of the nation's transportation system. This performance measure is used to assess the overall condition of pavements to

determine if the highway infrastructure on the NHS is able to support system mobility needs and if investments made to maintain and improve infrastructure condition is effective. The ride quality condition of NHS pavements affects traffic congestion, the wear-and-tear on vehicles, the comfort of travelers, and fuel consumption.

Target: 57%

Actual: 57%

Strategic Target: 59% in 2011.

How do we set targets? Targets were set based on past performance trends, anticipated funding for pavement improvements, predicted future performance trends using the Highway Economic Requirements System, and the need to maintain and improve conditions at a level that will not require substantial costs to renew failed systems in the future. Targets for this measure were also influenced by user feedback on ride quality condition obtained through national user surveys.

Public Benefit: Achieving targets set for this performance measure will provide for a smoother riding surface on the NHS minimizing undue wear-and-tear on vehicles used for personal, commuter, and freight movements. Maintaining a sizeable percentage of pavements in good condition means that states will need to spend fewer dollars on pavement preservation and replacement. Conversely, allowing pavement conditions to deteriorate as a result of neglecting this measure would require a substantial increase in public funding in the future to conduct major repairs to NHS pavement infrastructure. Adherence to this measure will assure that public tax dollars are used wisely to maintain a healthy infrastructure system.

External factors affecting performance: There are several factors that affect FHWA's ability to improve pavement quality, among them the transportation funding levels and available revenue from federal, state, and local sources needed to support these levels. State and local highway agencies, not FHWA, select projects, which may or may not address pavement quality. Other factors are the costs of materials and construction services to deliver highway projects, which are highly dependent on worldwide demand, and the quality of the design and construction of highway projects.

Partners: State and local transportation departments carry the prime responsibility for effectively utilizing Federal-aid program funds to improve infrastructure conditions. Various universities conduct research to support infrastructure improvements. The Transportation Research Board promotes innovation and progress in transportation through research and conducts a variety of programs and activities designed to

support dialogue and information exchange among researchers, practicing transportation professionals, and others concerned with transportation. Industry provides support to practitioners and interest groups. The American Association of State Highway and Transportation Officials advocates transportation-related policies, develops and adopts common procedures and standards used by the states as best practices, and provides technical services to support States in their efforts to efficiently and safely move people and goods.

Associated Funding:
FY 2009: \$5,665,000,000

Actual results: 57%

Description of Results: The preliminary results for 2009 are similar to the results reported during the previous two years, which show that the ride quality of the NHS has remained constant. In contrast, the condition of the network improved by 15 percent from 2002-07. Pavement conditions across the country vary with both improvements and declines observed this past year. Many highway agencies are struggling to maintain conditions as transportation funding for pavement preservation is reduced.

Target Achievement: *Met*

Target Assessment: Ride quality performance targets were met in recent years despite a reduction in the size of maintenance programs by highway agencies that was exacerbated by record increases in asphalt material prices during 2008. Conditions nationwide were held fairly constant by the use of performance-based construction specifications that focused on ride quality. In addition, state highway agencies are increasingly using data-driven management systems to optimize the allocation of available funding in order to maximize condition and performance of the pavement networks.

Outlook and Actions: Highway agencies will struggle to meet this goal in FY 2010; states are focused on using limited resources for replacement and rehabilitation, often on roads that are not part of the National Highway System. FHWA will continue to support the implementation of performance-based specifications and testing to ensure that paving projects result in better ride quality and that investments in the NHS pavement network are more effectively managed. *[Note: In 2010, the results for ride quality will include all bridge approaches and structures, as a result of a recent Highway Pavement Monitoring System reassessment that was made to improve*

consistency in reporting across the country. Including bridges in the reporting will improve consistency, but will likely have a further negative impact on the results for ride quality on the NHS.]

Timeline for affecting future performance: Improvements to the management of investments for pavement preservation could improve results for ride quality performance during the next three years.

Strategic Goal: Reduced Congestion

Reduce congestion and other impediments to using the nation's transportation system.

Operating Administration: Federal Highway Administration (FHWA)

Performance Measure: Percent of deck area on National Highway System bridges rated deficient.

Why do we measure this? A large portion of our nation's highway network was built decades ago during the construction of the Eisenhower Interstate System. Based on the 2008 National Bridge Inventory, approximately 12 percent of all bridges in the U.S. need significant maintenance, rehabilitation, or replacement (i.e., structurally deficient); and another 15 percent do not have adequate lane widths, shoulder widths, or vertical clearances to meet current traffic demand (i.e., functionally obsolete). It is in the Nation's interest to ensure the safe and efficient movement of people and goods over and under all highway bridges. Improving their condition and performance is critical to the structural integrity, functionality, and cost effectiveness of the nation's transportation system. Deck area serves as an indicator of the impact that investments are having on the conditions of bridges.

Target: 29.0% (revised)

Actual: 29.2% (preliminary as of August 2009)

Strategic Target: (target was revised to 28.0% for FY 2011).

How do we set targets? Targets were established based on a review of historical trends and data.

Public Benefit: Bridges will meet the safety and traffic capacity demands of the traveling public.

External factors affecting performance:

- States select bridge projects for programming and have considerable flexibility in prioritizing how the funds are used (e.g., type of work performed).
- The availability of human and material resources.
- The quality of the design and construction of highway projects.

Partners:

- State and local transportation departments carry the prime responsibility for effectively utilizing Federal-aid program funds to improve infrastructure conditions.
- Various universities conduct research to support infrastructure improvements.
- Transportation Research Board promotes innovation and progress in transportation through research and conducts a variety of programs and activities designed to support dialogue and information exchange among researchers, practicing transportation professionals, and others concerned with transportation
- Industry provides support to practitioners and interest groups.
- The American Association of State Highway and Transportation Officials advocates transportation-related policies, develops and adopts common procedures and standards used by the states as best practices, and provides technical services to support states in their efforts to efficiently and safely move people and goods.

Associated Funding:

FY 2009: \$5,665,000,000

Actual results: 29.2% (preliminary)

Description of Results: The preliminary results for 2009 point to a reduction in deck area on deficient NHS bridges that is similar to levels reported in two previous years. The percentage declined 0.3 percent between 2009 and 2008, and 0.2 percent between 2008 and 2007. Attempts to improve bridge conditions are offset by an aging infrastructure, increasing construction costs, and diminished resources at all levels of government. *[Note: The actual result presented for 2009 is based on an August 2009 archive of the National Bridge Inventory database. But, the final results for the year are not expected to differ greatly.]*

Target Achievement: *Not met*

Target Assessment: DOT did not meet the NHS bridge improvement targets because states across the country had budget shortfalls and the increased cost of construction materials.

Outlook and Actions: Highway agencies will continue to struggle to meet the performance targets for reasons cited above. DOT will continue to support effective bridge management processes and programs.

Timeline for affecting future performance: The availability of funding and resources will be critical to meeting performance targets for the foreseeable future.

Aviation Delay FY 2009 Enacted Funds: \$4.047 Billion

Strategic Goal: Reduced Congestion

Reduce congestion and other impediments to using the nation's transportation system.

Operating Administration: Federal Aviation Administration (FAA)

Performance Measure: Percent of all flights arriving within 15 minutes of schedule at the 35 Operational Evolution Plan airports due to National Air Space-related delays

Why do we measure this? This metric measures on-time performance against the carriers' filed flight plan, rather than published schedules. This metric allows FAA to measure delivery of service while taking into account causation of flight delay.

Target: Achieve a National Air Space on-time arrival rate of 88.00% at the 35 Operational Evolution Partnership airports and maintain through FY 2013.

Actual: 88.58% (preliminary)

Strategic Target: Achieve a National Air Space on-time arrival rate of 88.00% at the 35 Operational Evolution Partnership airports and maintain through FY 2013.

How do we set targets? NAS On-Time Arrival is the percentage of all flights arriving at 35 major airports equal to or less than 15 minutes late, based on the carrier flight plan filed with the FAA. This figure does not include delays caused by extreme weather, scheduling decisions made by the carriers, and security problems. National Air Space On-Time Arrival percentage equals the number of flights arriving on or before 15 minutes of flight plan arrival time divided by the total number of completed flights. The target is set based on 3 years of historical trending data.

Public benefit: This goal helps FAA focus on areas for improvement within their control, thereby increasing the probability that the flying public will reach their destinations on time.

External factors affecting performance: Weather, airline scheduling practices, runway construction/maintenance, ramp/airport congestion.

Partners: National Business Aircraft Association and airlines

Associated Funding

FY 2009: \$4,047,148,000

Actual results: 88.58% (preliminary)

Description of Results: FAA has met this goal for the first time in 3 years. In addition, the NAS on-time performance is the highest level since its inception in 2005.

The on-time performance of airports tracked in FAA's *Average Daily Airport Capacity (35 OEP and 7 Metro areas)* contributed significantly to the success of the NAS on time target. Both measures met and exceeded expectations. The additional runways at Seattle-Tacoma, Dulles, and Chicago O'Hare airports improved arrival and departure accuracy, and the economy-driven decline in operations all contributed to decreased congestion. In FY 2010, FAA plans to continue its focus on these measures to stem the trend of increased congestion when higher levels of operations return.

Target Achievement: *Expected to meet*

Target Assessment: Improved on-time performance this fiscal year is most likely due to the decline in scheduled and unscheduled operations in many major markets. This has led to less congestion in the NAS, less pressure on the Air Traffic Control system, and improved on-time performance. In addition, new technologies, such as the Traffic Management Advisor decision support tool, have contributed to more efficient arrival and departure performance at several large airports including Atlanta, Charlotte, and Newark.

Outlook and actions: The FAA anticipates on-time performance will continue to improve, based on lower traffic levels and the movement toward NextGen technologies; such as time-based metering, En Route Automation Modernization, and Automatic Dependent Surveillance Broadcast.

Through deployment of early NextGen capabilities, FAA is addressing anticipated growth in demand by increasing NAS capacity and efficiency while simultaneously improving safety, reducing environmental impacts, and increasing user access to the air space.

Timeline for affecting future performance: FAA anticipates that the downturn in the aviation economy will rebound and demand will return. FAA expects that as early NextGen capability is deployed now through 2012 that will produce measurable steps toward reducing congestion and enhancing on-time performance.

Transportation Accessibility FY 2009 Enacted Funds: \$644 Million

Strategic Goal: Reduced Congestion

Operating Administration: Federal Transit Administration

Performance Measure: Percent of bus fleets that are compliant with the Americans with Disabilities Act (ADA)

Why do we measure this? This a measure of the percentage of transit buses that are lift-equipped or have low floors to accommodate wheel chairs. This measure indicates how accessible the transit bus fleet is to Americans with disabilities.

Target: 98%

Actual: 98% (estimated)

Strategic Target: 98%

How do we set targets? The target is set based on performance trends over three to five years.

Public Benefit: Accessible public transportation is vital to maintaining independence and mobility for people with disabilities and linking them to employment, health care and their community.

External factors affecting performance: While all new buses are lift equipped or have low floors, it will be difficult to reach 100 percent compliance because many transit operators retain buses for more than twenty years. FTA has no control over the length of time transit operators decide to keep older vehicles.

Partners: State and local transit agencies

Associated Funding

FY 2009: \$116,019,000

Actual results: 98% (estimated)

Description of Results: Bus fleets continue to become more accessible as older vehicles are replaced with new vehicles that are lift-equipped or have low floors to accommodate wheel chairs. The overall rate of increase in bus accessibility has slowed somewhat since many of the buses replaced were already lift-equipped. While all new buses are lift equipped or have low floors, it will be difficult to reach 100% compliance because many transit operators retain buses for more than twenty years.

Target Achievement: *Expected to meet.*

Strategic Goal: Reduced Congestion

Operating Administration: Federal Transit Administration

Performance Measure: Percent of key rail stations that are compliant with the Americans with Disabilities Act (ADA).

Why do we measure this? This is a measure of the percentage of key transit rail stations that are accessible to people with disabilities. Accessibility for key rail facilities is determined by standards established in the Americans with Disabilities Act. Transit systems were required to identify key stations. A key station is one designated as such by public entities that operate existing commuter, light or rapid rail systems. Each public entity determines which stations on its system have been designated

as key stations through its planning and public participation process using criteria established by DOT regulations.

Target: 94%

Actual: 95% (preliminary)

Strategic Target: 94.5%

How do we set targets? The target is established based on the performance trends over three to five years.

Public Benefit: Accessible public transportation is vital to maintaining independence and mobility for people with disabilities and linking them to employment, health care and their community.

External factors affecting performance: Only six of the 33 rail systems affected by the ADA compliance requirement have key rail stations that are not accessible to people with disabilities. These are stations that tend to need expensive structure changes or replacement of existing facilities.

Partners: State and local transit agencies and decision makers

Associated Funding

FY 2009: \$500,000

Actual results: 95% (preliminary)

Description of Results: There are 680 key rail stations nationwide; and 32 of these stations remain inaccessible to people with disabilities. Transit operators have made significant progress in meeting this goal. FTA continues to monitor major transit systems through a quarterly reporting process. During Fiscal Year 2009 some transit agencies have certified that they have completed all required updates. There are six transit systems which have key stations that are not accessible because they are either in the planning, design or construction stage. In some cases, certain elements in the station may be maintained or owned by a non-transit entity and coordination between the parties is needed. FTA will continue to monitor these systems through the quarterly reporting process and rail station assessment reviews.

Target Achievement: *Expected to meet.*

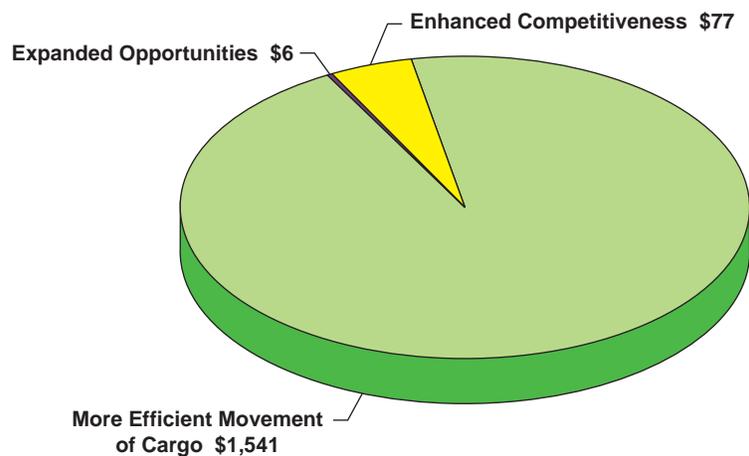
GLOBAL CONNECTIVITY

Facilitate An International Transportation System That Promotes Economic Growth And Development

The transportation sector accounts for more than 10 percent of the U.S. Gross Domestic Product, behind only housing, food and health care. The transportation sector moves goods and people, employs millions of workers, generates revenue, and consumes materials and services produced by other sectors of the economy. The U.S. Department of Transportation promotes economic growth and development domestically but also works to ensure that the U.S. interests are competitive in the international market.

The U.S. Department of Transportation leveraged \$1,625 million to promote competition and economic development within the U.S. and internationally.

FY 2009 Enacted Funding by GLOBAL CONNECTIVITY
Strategic Objectives
(Dollars in Millions)



Total FY 2009 Funding: \$1,625 Million

Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2009 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Efficient Movement of Cargo

Safer, more efficient and cost effective movement of passengers and cargo throughout the international and domestic transportation systems, including U.S. ports of entry, modal and intermodal supply chains.

- ✓ Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway system is available.
- ✓ Number of freight corridors with an annual decrease in the average buffer index rating.
- ✗ Number of National Highway Systems border crossings with a decrease in unexpected delay.

Enhanced Competitiveness

Reduce barrier to trade in transportation goods and services.

Enhanced competitiveness of U.S. transport providers and manufacturers in the global marketplace.

- ✓ Number of potential air transportation consumers in international markets.

Expanded Opportunities

Expanded opportunities for all businesses, especially small, women-owned and disadvantaged businesses.

- ✓ Percent share of the total dollar value of DOT direct contracts that are awarded to woman-owned businesses.
- ✓ Percent share of the total dollar value of DOT direct contracts that are awarded to small disadvantaged businesses.

2009 Performance Highlights

- The St. Lawrence Seaway, the international shipping gateway to the Great Lakes, was operational 99.4% of the time in Fiscal Year 2009.
- DOT negotiated new agreements with Laos, Vietnam, Armenia, and Mongolia that extended Open-Skies benefits to several million more potential aviation consumers.

More Efficient Movement of Cargo FY 2009 Enacted Funds: \$1,541 Million

Strategic Goal: Global Connectivity

Facilitate an international transportation system that promotes economic growth and development

Operating Administration: Saint Lawrence Seaway Development Corporation (SLSDC)

Performance Measures: Percent of days in the shipping season that the U.S. portion of the St. Lawrence Seaway is available.

Why do we measure this? The Saint Lawrence Seaway Development Corporation's (SLSDC) primary goal is to operate and maintain a safe, efficient, and reliable commercial waterborne transportation route for global users to move goods to and from the Great Lakes region of North America.

Target: 99.0% (FY 2009)

Actual: 99.4% (FY 2009)

Strategic Target: 99.0% (FY 2011)

How do we set targets? The annual target of 99 percent has become a standard expected by the waterway's commercial user base.

Public Benefit: The availability of the St. Lawrence Seaway is critical to the movement of commercial goods to and from the Great Lakes region of North America. Commercial trade on the Seaway System impacts 150,000 U.S. jobs, \$12 million per day in wages, \$9 million per day in business revenues by firms engaged in trade, and provides approximately \$3.6 billion in annual transportation cost savings compared to competing rail and highway routes.

External factors affecting performance: Weather conditions and vessel incidents are the two most common causes of system unavailability on the St. Lawrence Seaway, both external to SLSDC operations. Weather delays are caused by poor visibility, high winds, fog, and other winter weather conditions that are significant enough to deem waterborne transportation unsafe. Vessel incidents involve ship operations, and are

usually caused by human error on the part of a vessel's crew. Incidents also include vessel breakdowns, which are caused by mechanical problems with a vessel.

Partners: The SLSDC operates the St. Lawrence Seaway with its Canadian counterpart, The St. Lawrence Seaway Management Corporation. This partnership includes all facets of waterway management, including vessel traffic control, vessel inspection procedures, and other matters affecting the safety and efficiency of the binational waterway. In addition, the SLSDC coordinates closely with the U.S. Coast Guard on safety, security, and environmental programs.

Associated Funding:

FY 2009: \$33,000,000

Actual results: 99.4%

Description of Results: In FY 2009, the SLSDC met its annual performance target related to St. Lawrence Seaway availability. During the fiscal year, the SLSDC recorded an availability rate of 99.4 percent, 0.4 percent above its annual goal. An analysis of system non-availability during Fiscal Year 2009 indicates that the most common causes were weather (63 percent) and vessel-related (19 percent) delays.

Target Achievement: *Met*

Target Assessment: The SLSDC continues to perform safe and efficient operations and management of the two U.S. Seaway locks and the U.S. waters on the St. Lawrence River under its jurisdiction.

Its operational business areas in Massena, N.Y., including those directly responsible for this performance measure (lock operations, ship inspections, vessel investigations, vessel traffic services, aids to navigation program, channel maintenance, and lock maintenance), have well-developed and enforced business processes and procedures for its workforce.

These processes and procedures have been certified through the internationally recognized International Standards Organization (ISO) under the ISO 9001: 2000 standard. The ISO recognition is only conferred on those service firms and organizations that meet the highest quality customer service and management standards set by the Geneva, Switzerland-based ISO. The SLSDC began the process of certifying its business processes in 1998 and has been audited annually for compliance.

Outlook and Actions: In FY 2009, the SLSDC began its 10-year Asset Renewal Program (ARP) to address the St. Lawrence Seaway's long-term asset renewal needs, which include the two U.S. Seaway locks, connecting channels, operational systems, and other infrastructure assets. These improvements are expected to help reduce the delay hours associated with lock equipment malfunctions.

Strategic Goal: Global Connectivity

Facilitate an international transportation system that promotes economic growth and development

Operating Administration: Federal Highway Administration

Performance Measure: Number of freight corridors with an average buffer index rating greater than the national average.

Why do we measure this? The reliability of key freight corridors is an important transportation system performance component. Unreliable travel times affect American industry's ability to effectively and efficiently manage their freight logistics and respond to customer requirements; this directly affects the cost of goods bought and sold in the United States and economic competitiveness.

Target: 13

Actual: 19

Strategic Target: 22

How do we set targets? Data for 25 corridors with heavy freight volumes exist from May 2006 to the present. In Fiscal Years 2007 and 2008, 19 of the 25 corridors had a buffer index rating better than the national average (e.g. were more reliable).

Public Benefit: Facilitating the efficient movement of freight on key corridors is vital to the nation's economic prosperity and quality of life. The U.S. economy depends on an efficient and reliable freight transportation system. Congestion and insufficient investment on major freight corridors and other key infrastructure will create a weakness in the transportation system that for decades has been a major strength.

External factors affecting performance: FHWA has very limited influence on the performance of freight corridors. When the economy grows, freight volumes increase

and place a strain on the available capacity. Private industry decides which transport modes and facilities to use for moving freight, taking into account cost and performance. While FHWA provides funds for constructing highway facilities and promotes improved strategies for operating highways, States and Metropolitan Planning Organizations decide how to use the funds on State and local highway improvements as well as operational improvements.

Most of the success in this area will be from initiatives which impact project selection and operational strategies used by State DOTs and other recipients of Federal funds; market forces that drive the behavior of users of the transportation system; the availability of attractive modal alternatives; demonstrating new viable/sustainable transportation management options; and alternative funding mechanisms. Some of the more attractive strategies, such as congestion pricing, have implementation challenges. For example, widespread use of congestion pricing would provide a market force that could significantly affect system usage and could precipitate a modal shift for freight. However, this will be difficult due to perceived unequal distribution of benefits, traffic diversion and the resultant operational impacts on other roads, and various implementation difficulties such as start-up costs, operating technologies, and perceived privacy issues.

Partners: U.S. Environmental Protection Agency, US Department of Commerce, Research & Innovative Technology Administration, Maritime Administration, and Federal Railroad Administration. Non-federal partners include the American Association of State Highway and Transportation Officials, State Departments of Transportation, the Association of Metropolitan Planning Organizations, urban jurisdictions, retail and trade associations, and shipper and carrier associations.

Associated Funding:
FY 2009: \$649,000,000

Actual results: 19

Description of Results: Of the 25 freight corridors measured, the trips in 19 were more reliable than the national average. Focused reliability allows motor carriers to better to predict arrival times for shipments in those corridors. This is critical for freight logistics and planning.

Target Achievement: *Exceeded*

Target Assessment: Travel time reliability in freight corridors is influenced by highway capacity, as well as recurring (e.g., fluctuations in travel demand) and non-recurring (e.g., weather) causes. FHWA program initiatives designed to improve freight management and operations, incident management, real time traffic management, bottleneck reduction, road weather management, planned special events management, and work zone management likely contributed to exceeding the target in these freight corridors. In addition, travel on the interstate system did not increase significantly during the past year. Reliability improved because reductions in travel and freight volumes during the economic downturn lowered traffic demands on the transportation system

Outlook and Actions: Out-year performance targets are aggressive, but may be achieved if State DOTs and Metropolitan Planning Organizations (MPO) fund transportation projects and services that target improved freight flows. FHWA will support this effort by increasing freight management capabilities among State DOT and MPO staff, facilitating the deployment of technology-based options for efficient, safe and sustainable intermodal freight movement, providing national level freight data and freight flows to support and enable informed decision-making, and advancing regional and corridor level collaboration.

Timeline for affecting future performance: It will take three to five more years of intensive efforts to achieve the strategic target.

Strategic Goal: Global Connectivity

Facilitate an international transportation system that promotes economic growth and development

Operating Administration: Federal Highway Administration (FHWA)

Performance Measure: Number of national highway system border crossings with a decrease in unexpected delay.

Why do we measure this? The transportation network is a key component of border management and should be included in decisions about border operations. Border crossing time and its variability are key indicators of transportation system performance. Low variability in crossing time allows goods to get to market with little *unexpected delay*. High variability in travel times generally causes unplanned delays in goods getting to market, which adds costs and creates inefficiency in the goods move-

ment. Border delay and crossing time information, along with other information (e.g. freight and passenger volumes), can be used to target transportation funding where the greatest needs exist.

Target: 5

Actual: 3

Strategic Target: 5

How do we set targets? Data exists for 5 U.S.-Canada border crossings from May 2006 to the present. Past performance data is used to set targets. Success in achieving interim and strategic targets is dependent on continued coordination with partner agencies on infrastructure and operational improvements for the safe, efficient and sustainable movement of goods across our borders with Canada and Mexico. Data are currently being collected at two U.S.-Mexico border crossings and will be reported during next fiscal year.

Public Benefit: Cross border trade with Canada and Mexico is an integral component of the United States' national and many regional economies. Total North American surface transportation imports rose 2.7 percent between 2007 and 2008, and exports rose by 5.9 percent during the same period. In 2008, 86 percent of U.S. merchandise trade by value with Canada and Mexico moved by land. U.S. businesses depend on efficient movement of goods in border regions with Canada and Mexico for profitability and growth.

External factors affecting performance: FHWA's core responsibilities at the U.S. border include: Public Safety, Congestion Management, Coordination and Facilitation, and Stewardship and Oversight of transportation related projects. There are many aspects of border operation and management that are outside FHWA's sphere of control. Agencies that operate and manage the border, such as U.S. Customs and Border Protection, implement policy changes, staff changes and capacity changes that affect or influence performance in this area.

Partners: The U.S. Department of Transportation (DOT) and FHWA coordinate with the Departments of State, Homeland Security, Commerce and General Services Administration on mutually agreeable border and transportation system infrastructure and operational improvements via longstanding bi-lateral and tri-lateral mechanisms with the governments of Canada and Mexico.

Associated Funding:
FY 2009: \$649,000,000

Actual results: 3

Description of Results: Trade using surface transportation between the United States and its North American Free Trade Agreement partners Canada and Mexico was 35.4 percent less in May 2009 than in May of the previous year. With this downturn in overall trade, FHWA expected to see a decrease in unexpected delays at all border crossings, which would represent an improvement in reliability. However, only 3 of the 5 U.S.-Canada border crossings that FHWA monitors showed a decrease in delays.

Target Achievement: *Did not meet*

Target Assessment: Only some border crossings experienced net improvements in travel time. Many factors beyond travel and freight volumes affect travel time reliability such as weather, work zones, crashes, law enforcement actions, changes in border clearance policies and procedures, threat level, and inspection time. The FHWA continued to work with partner agencies to mitigate these contributing factors to border congestion and delay.

Outlook and Actions: Success in achieving out-year performance targets will depend on continued coordination with partner agencies on infrastructure and operational improvements for the safe, efficient and sustainable movement of goods across our borders with Canada and Mexico. Current efforts that support achieving targets include coordinating regional master plans on the U.S.- Mexico border, creating an infrastructure compendium on the U.S.-Canada border, continuing efforts to use real-time border crossing times to assess performance and automate measurement at key US-Canada border crossings, coordinating documentation of freight flows as a basis for infrastructure planning and improved transportation systems operations, and maintaining partnerships, such as the U.S.-Mexico Joint Working Committee and the U.S.-Canada Transportation Border Working Group that facilitate collaborative decision-making at both U.S. borders.

Timeline for affecting future performance: It will take three to five years to achieve the strategic target.

Enhance Competitiveness FY 2009 Enacted Funds: \$77 Million

Strategic Goal: Global Connectivity

Facilitate an international transportation system that promotes economic growth and development

Operating Administration: Office of the Secretary of Transportation (OST)

Performance Measure: Number of potential air transportation consumers (in billions) in international markets.

Why do we measure this? This measure reflects the Department's mission to open as many international aviation markets as possible to the traveling and shipping public.

Target: 3.94 billion

Actual: 4.83 billion

Strategic Target: 3.11 billion

How do we set targets? Based on funding and the willingness of foreign partners to engage in negotiation of air services agreements, DOT sets targets in accordance with the likelihood of success in opening or expanding access to international aviation markets.

Public Benefit: Open and expanded air service agreements have made it possible for the airline industry to provide the opportunity for better quality, lower priced, more competitive air service in thousands of international city-pairs to an increasing portion of the world's population.

External factors affecting performance: The health of the global economy and the willingness of foreign partners to complete air services agreements directly affect DOT's performance.

Partners: DOT works with numerous U.S. Government agencies, including the State and Commerce Departments. DOT also works with many airlines, airports and industry associations.

Associated Funding

FY 2009: In FY 2009, no direct funding was attributed to this performance measure. This activity was funded as an overhead expense.

Actual results: *4.83 billion potential consumers*

Description of Results: The actual results reflect new agreements with Laos, Vietnam, Armenia and Mongolia in fiscal year 2009.

Target Achievement: *Exceeded*

Target Assessment: DOT exceeded the target because of the desire of foreign partners to open their markets to the U.S. aviation industry. DOT's long-standing policy of liberalizing aviation markets around the world continues to prove beneficial to U.S. and foreign interests.

Outlook and Actions: DOT expects the number of consumers in international markets to continue to increase in the coming years. However, the pace of growth will inevitably slow as there will be fewer and fewer countries without agreements with the United States.

Expanded Opportunities FY 2009 Enacted Funds: \$6.4 Million

Strategic Goal: Global Connectivity

Facilitate an international transportation system that promotes economic growth and development

Operating Administration: the Office of the Secretary of Transportation

Performance Measure: Percent share of total dollar value of DOT-procurement dollars (direct contracts) that are awarded to small disadvantaged businesses.

Why do we measure this? The Congress mandated federal agencies to provide maximum practical opportunities for small businesses and to establish annual goals for utilizing small disadvantaged businesses in the agencies' procurement.

Target: 14.0%

Actual: 14.5 % (preliminary)

Strategic Target: 14.0%

How do we set targets? The target is set in cooperation with the Small Business Administration (SBA). The Office of Small and Disadvantaged Business Utilization (OSDBU) works with the operating administrations in DOT to coordinate efforts and negotiate procurement targets toward annual achievements.

Public Benefit: Expanded opportunities for small disadvantaged businesses serve the economic interests of the United States, both nationally and globally. In general, a Small Disadvantaged Business as defined in current government regulations is at least 51% owned and controlled by one or more socially and economically disadvantaged individuals. Socially disadvantaged individuals include African Americans, Hispanic

Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian Americans, and other minorities or individuals found to be disadvantaged by the Small Business Administration pursuant to Section 8(a) of the Small Business Act and SBA regulations.

These small businesses routinely develop, manufacture and distribute quality products to the private sector, but continue to face significant hurdles participating in procurement opportunities with the Federal Government. To help these entrepreneurs have a fair opportunity to compete, Congress and the Administration have established procurement goals for the Federal Government. This new target will work to overcome the barriers to success for minority-owned businesses.

External factors affecting performance: The effectiveness of this effort is also dependent on the state of the economy as a whole and available transportation projects. OSDBU has developed a comprehensive delivery system of business training, technical assistance, and dissemination of information targeted towards transportation-related small businesses, including disadvantaged businesses. The DOT Small Business Transportation Resource Centers and OSDBU strategically conduct outreach events for the small business community in their designated region and provide financial and technical assistance, business training programs, such as, business assessment, management training, counseling, technical assistance, marketing and outreach, and the dissemination of information, to encourage and assist small businesses to become better prepared to compete for, obtain, and manage DOT funded transportation-related contracts and subcontracts at the federal, state and local levels.

Partners: External partners include DOT's Small Business Technical Resource Centers located across the nation. There are also a number of SBA programs and small disadvantaged business centers located across the country that contribute to DOT's success.

Associated Funding:

FY 2009: \$5,337,000

Actual results: 14.5% (preliminary)

Description of Results: Based on preliminary estimates, DOT will meet the small disadvantaged business related targets. All of the DOT operating administrations continue to seek new opportunities to engage the small disadvantaged business community and have done superbly. DOT is one of the few Federal agencies to be recognized by SBA for surpassing its goals and greatly contributing to the government-wide statutory goal. The Office of Small and Disadvantaged Business Utilization (OSDBU) continues to work closely with DOT program and procurement personnel to ensure that small businesses are afforded maximum practicable opportunities to participate in DOT direct procurement actions. OSDBU provided assistance to the agencies with their acquisition strategies, professional development and access to qualified small businesses. OSDBU also increased technical assistance and participation in outreach events.

Target Achievement: *Expected to exceed*

Strategic Goal: Global Connectivity

Facilitate an international transportation system that promotes economic growth and development

Operating Administration: The Office of the Secretary of Transportation (OST)

Performance Measure: Percent share of total dollar value of DOT-procurement dollars (direct contracts) that are awarded to women-owned businesses.

Why do we measure this? The Congress mandated federal agencies to provide maximum practical opportunities for small businesses and to establish annual goals for utilizing women-owned businesses in the agencies' procurement.

Target: 5.1%

Actual: 9.0% (preliminary)

Strategic Target: 5.1%

How do we set targets? The target is set in cooperation with the Small Business Administration. The Office of Small and Disadvantaged Business Utilization works with the agencies in DOT to coordinate efforts and negotiate procurement targets toward annual achievements.

Public Benefit: Expanded opportunities for small businesses, especially women-owned and disadvantaged businesses, serve the economic interests of the United States, both nationally and globally. These small businesses routinely develop, manufacture and distribute quality products to the private sector, but continue to face significant hurdles participating in procurement opportunities with the Federal Government. Women make up 51.1% of the population. Nearly 40% of businesses in the United States are women-owned. These businesses generate almost \$2.7 trillion in annual revenues according to statistics from the Small Business Administration. To help these entrepreneurs have a fair opportunity to compete, Congress and the Administration have established procurement goals for the Federal Government.

External factors affecting performance: Unlike other small business categories, women-owned small businesses do not have the set-aside authority so important to goal attainment. DOT relies heavily on its outreach efforts, internal training, and communication with the public to inform and counsel woman-owned small businesses of upcoming procurements. Attention from women's business organizations, and their interaction with state, Federal, and other government officials on the Federal level all contribute to DOT's success in attaining the goal. The effectiveness of this effort is also dependent on the state of the economy as a whole.

Partners: External partners include DOT's Small Business Technical Resource Centers located across the nation. There are also a number of Small Business Administration programs and women's business centers located across the country that contribute to DOT's success.

Associated Funding:

FY 2009: \$5,337,000

Actual results: 9.0% (preliminary)

Description of Results: Based on preliminary estimates, DOT will meet both of the small business-related targets. All of the DOT agencies continue to seek new opportunities to engage the women-owned business community even though the Federal government has not finalized regulations to allow for set-asides to women-owned businesses. DOT is one of the few Federal agencies surpassing the government-wide five percent woman-owned business statutory goal. The Office of Small and Disadvantaged Business Utilization (OSDBU) continues to work closely with all program and procurement personnel to ensure that women-owned businesses are afforded maximum practicable opportunities to participate in DOT direct procurement actions. OSDBU provided assistance to the agencies with their acquisition strategies, professional development and access to qualified small businesses. OSDBU also increased technical assistance and participation in outreach events.

Target Achievement: *Expected to exceed*

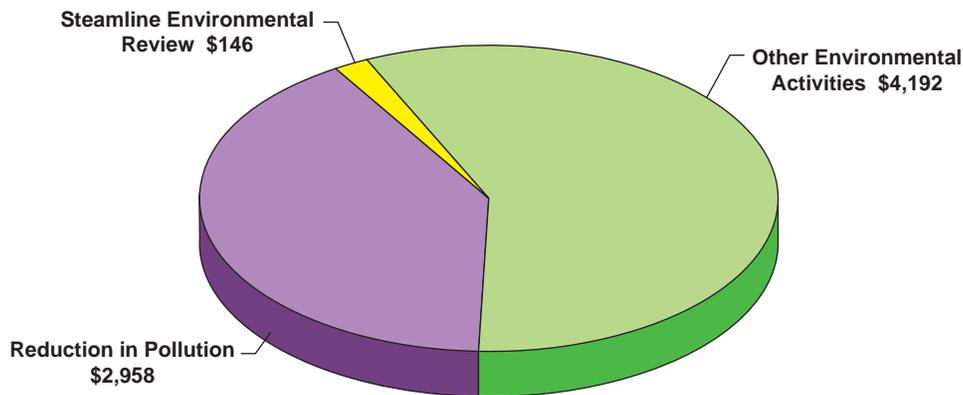
ENVIRONMENTAL STEWARDSHIP

Promote Transportation Solutions That Enhance Communities And Protect The natural And Built Environment

The transportation system has a significant impact on the environment. At the current rate of growth, transportation's share of the human-produced greenhouse gas emissions in the U.S. is projected to increase from 28 percent to 36 percent. DOT's Climate Change Center and Environmental Forecasting is a collective effort of DOT agencies to examine environmental factors in a coordinated manner while each agency continues pursuit of the issues under its purview.

The U.S. Department of Transportation leveraged \$7,295 million to protect communities and their natural and built assets.

FY 2009 Enacted Funding by ENVIRONMENTAL STEWARDSHIP
Strategic Objectives
(Dollars in Millions)



Total FY 2009 Funding: \$7,295 Million

Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2009 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Reduction in Pollution

Reduction in pollution and other adverse environmental effects from transportation and transportation facilities.

- ✓ Number of areas in a conformity lapse.
- ✗ Number of hazardous liquid pipeline spills in high consequence areas.
- ✓ Percent DOT facilities characterized as NFRAP under the Superfund Amendments and Reauthorization Act.

Streamlined Environmental Review

Streamlined environmental review of transportation infrastructure projects.

- ✗ Median time in months to complete environmental impact statements for DOT funded infrastructure projects.

Other Environmental Activities

- ✓ Number of Exemplary Human Environmental Initiatives undertaken.

2009 Performance Highlights

- For the third consecutive year there were no areas in air quality conformity lapse. The downward trend in vehicle emissions is expected to continue due to more stringent vehicle and fuel emissions standards.
- On average it takes nearly 77 months for DOT-funded transportation projects to complete the National Environmental Policy Act process.

Reduction in Pollution FY 2009 Enacted Funding: \$3.0 Billion

Strategic Goal: Environmental Stewardship - Promote transportation solutions that enhance communities and protect the natural and build environment.

Operating Administration: Federal Highway Administration (FHWA)

Performance Measure: Number of areas in conformity lapse.

Why do we measure this? The National Ambient Air Quality Standards (NAAQS) target six major pollutants as among the most serious airborne threats to human health. Transportation is a major contributor to some of the pollutants - particularly ozone, carbon monoxide, and particulate matter. Areas that exceed, or have previously exceeded, certain NAAQS - designated as air quality non-attainment or maintenance areas, respectively - are required to meet transportation a conformity requirements in the *Clean Air Act*. Failure to meet the conformity requirements places an area in a conformity lapse, which creates a situation in which only limited types of Federally-funded highway and transit projects can proceed.

Target: 6.0

Actual: 0.0

Strategic Target: 6.0

How do we set targets? The target is set based on historical trend data. Since DOT has exceeded the target for the last several years, it will reduce the target for Fiscal Year 2010 and years following.

Public Benefit: Over the past 20 years, contributions of emissions from cars, buses, and trucks to all emissions have been rapidly declining. For example, emissions from these sources decreased 68, 36, 57, and 59 percent, respectively, for Volatile Organic Compounds, Nitrogen Oxides, Particulate Matter, and Carbon Monoxide between 1980 and 2003. The downward trend in emissions is expected to continue through 2030.

External factors affecting performance: The NAAQS for fine particulates and ozone were revised in 2006 and 2008, respectively. The new requirements create challenges for newly designated nonattainment areas.

Partners: State Departments of Transportation, metropolitan planning organizations, Environmental Protection Agency, and the Federal Transit Administration

Associated Funding:

FY 2009: \$2,096,000,000

Actual results: 0

Description of Results: Over the past three years, no areas were in conformity lapses.

Target Achievement: *Exceeded*

Target Assessment: The downward trend in on-road mobile source emissions is expected to continue due to more stringent vehicle and fuel emissions standards. In addition, the twelve-month lapse grace period provided by SAFETEA-LU allowed areas more time to address the requirements and avoid entering into conformity lapse.

Outlook and Actions: The current trend may be affected by the implementation of the new fine particulate matter and ozone standards in 2010 and 2011, respectively, but the number of metropolitan areas meeting their emissions goals is expected to increase over the longer term. FHWA will work with the EPA to provide guidance and training to new areas to ensure that they will have ample time to meet the *Clean Air Act* requirements. In addition, EPA will release a new emissions model in early 2010, which will be the required model for emissions analysis. FHWA will continue to provide training to states and metropolitan planning organizations, as the analysis based on the emissions model is a critical element for areas to meet the requirements.

Timeline for affecting future performance: Transportation plans, programs, and projects in new nonattainment areas required to meet the NAAQS for fine particulates are expected to comply by 2010 and new nonattainment areas required to meet the NAAQS for ozone are expected to comply by 2011.

Strategic Goal: Environmental Stewardship - Promote transportation solutions that enhance communities and protect the natural and build environment.

Operating Administration: Pipeline and Hazardous Materials Safety Administration

Performance Measure: Number of hazardous liquid pipeline spills in high consequence areas

Why do we measure this? DOT measures the risk pipelines pose to the environment by tracking hazardous liquid spills in high consequence areas. This measure focuses on accidents that present a particular potential for environmental harm due to their location. High consequence areas include commercially navigable waterways, areas with concentrated population, and drinking water or ecological resources that are unusually sensitive to environmental damage from a hazardous liquid pipeline release.

Target: 49

Actual: 57 (projected)

Strategic Target: 46 (by 2011)

How do we set targets? Targets reflect a 2% reduction in risk each year.

Public Benefit: Reducing spills in high consequence areas reduces the risk of harm to the public and to environmentally sensitive areas.

External factors affecting performance: Excavation damage, damage from natural forces (e.g., storms and flooding), and other outside force damage are all significant causes of pipeline failure. Operating error by individuals is another significant cause of failure.

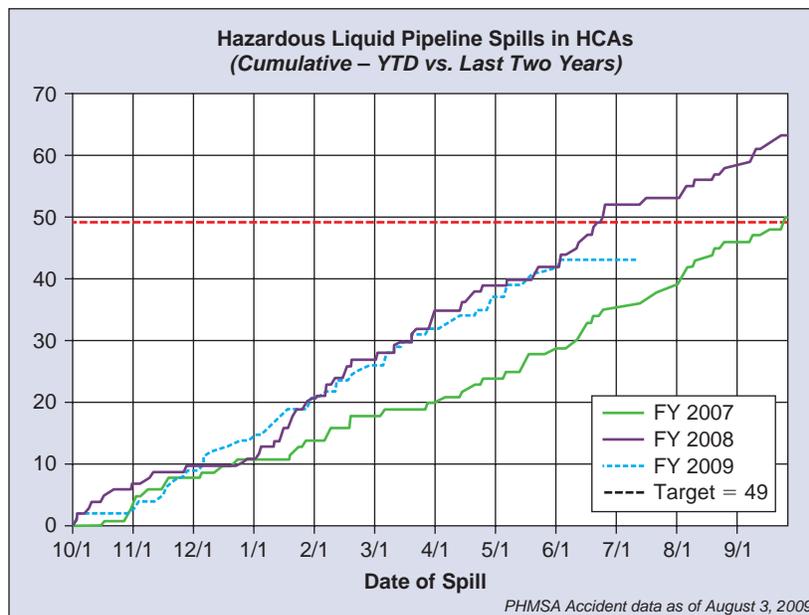
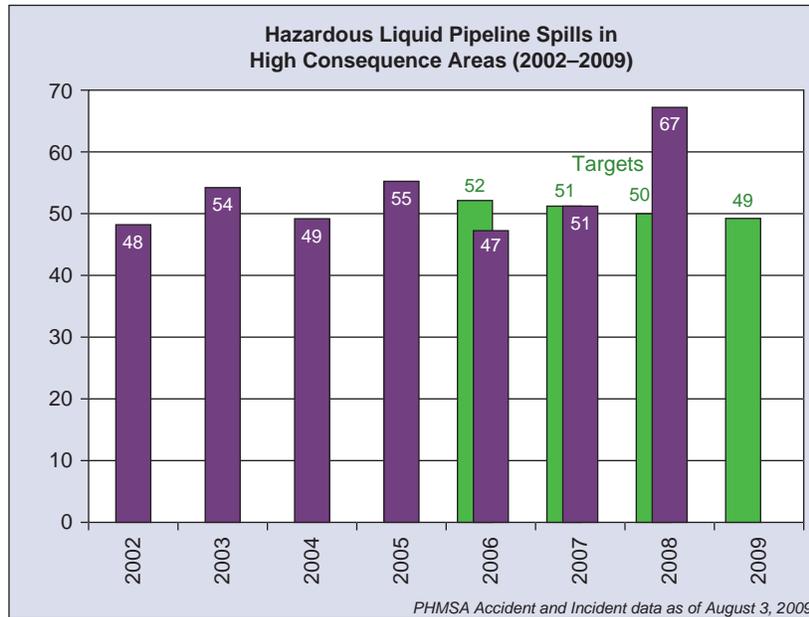
Partners: Some state pipeline safety agencies act as interstate agents for PHMSA, inspecting hazardous liquid pipelines on its behalf.

Associated Funding

FY 2009: \$26,242,000

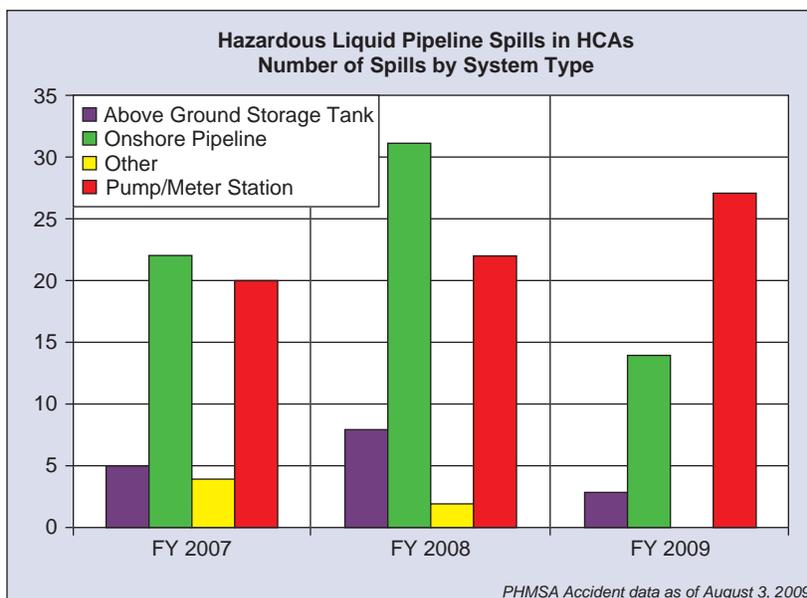
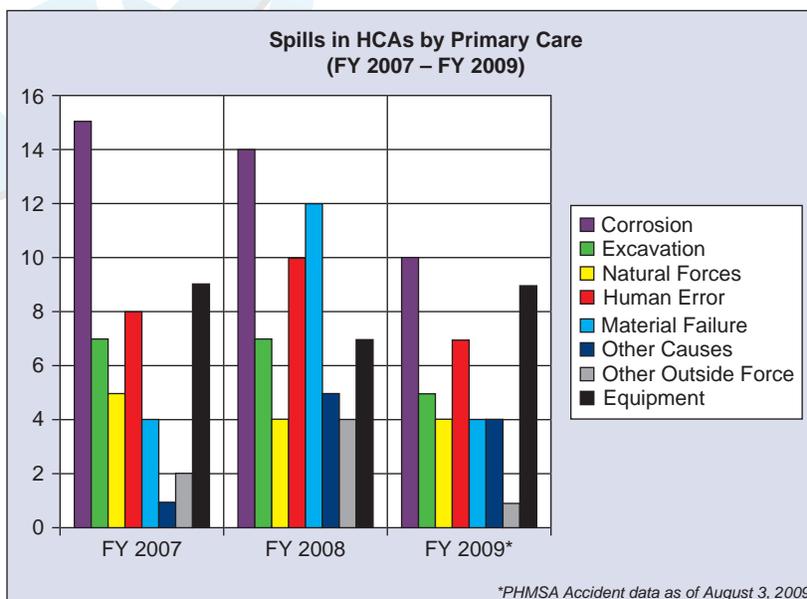
Actual results: 55 (projected)

Description of Results: We are projecting 57 spills in high consequence areas in calendar year 2009. Although PHMSA is expected to miss the target for the year, this preliminary result still a decrease of over 10 percent from year 2008.



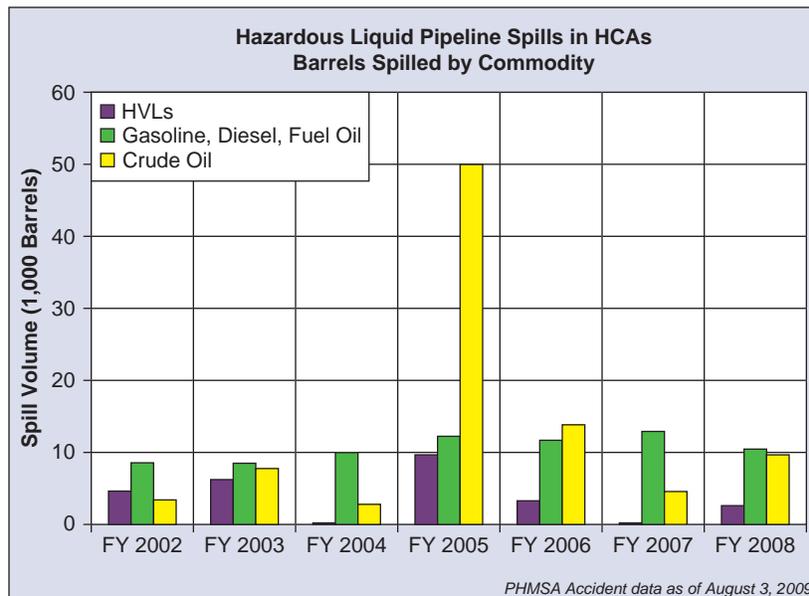
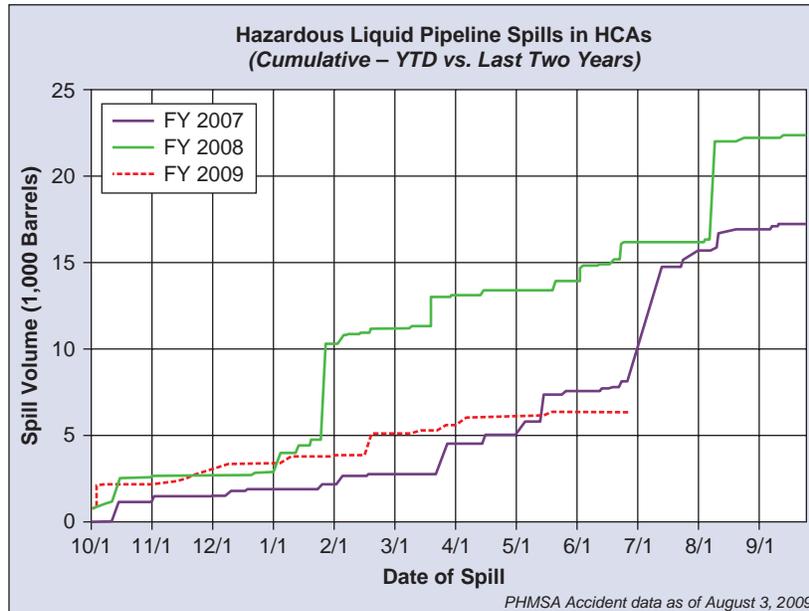
Target Achievement: *Expect to miss*

Target Assessment: PHMSA has analyzed spills reported in high consequence areas and has concluded Fiscal Year 2009 spills were caused primarily by corrosion and equipment failures on onshore pipelines or at pump/meter stations. Overall, spills originating from pipelines have decreased by one third since Fiscal Year 2007. Spills originating from equipment failures have remained relatively constant. However, it should be noted that spills originating from equipment failures are typically smaller in volume. Nonetheless, PHMSA has renewed its focus on spills originating from equipment and its new inspection program should reduce the numbers next year and thereafter.



Performance & Accountability Report FY2009

Although PHMSA may miss its numerical target for the number of spills in High Consequence Areas (HCAs), the volume of oil and other commodities spilled in HCAs is lower than it was at this time in Fiscal Years 2007 and 2008. More importantly, the volume spilled since April 2009 has remained relatively stable.



Outlook and Actions: PHMSA continues to retool its analysis, inspection and enforcement tactics to make certain it meets its annual performance targets. In FY 2010 PHMSA will publish its new accident reporting guidelines, new failure investigation form and implement the next round of Integrated Inspections, which will cover more pipeline operators. Jointly, these three strategies should enable PHMSA to decrease the number of spills in high consequence areas henceforth. There are some significant data quality issues that make PHMSA unable to assure the reliability of this measure as an indicator of program performance. However, in the interest of accountability, data will continue to be collected and reported under the current practices until such time that data and statistical improvements can generate more reliable data and statistical results.

Timeline for affecting future performance: PHMSA expects to meet its targets for 2010.

Strategic Goal: Environmental Stewardship - Promote transportation solutions that enhance communities and protect the natural and build environment.

Operating Administration: The Office of the Secretary of Transportation (OST)

Performance Measure: Percent of DOT facilities characterized as No Further Remedial Action Planned (NFRAP) under the Superfund Amendments and Reauthorization Act

Why do we measure this? To serve as an environmental steward by improving U.S. Department of Transportation (DOT)-owned or controlled facilities for the benefit of host communities by preventing pollution and cleaning up contaminated facilities.

Target: 94%

Actual: 94%

Strategic Target: 94%

How do we set targets? Targets are based on the number of DOT facilities potentially on the EPA docket and the progress of cleanup at those sites.

Public Benefit: DOT has greatly reduced risks to surrounding communities and the environment and has protected human health and the environment.

External factors affecting performance: If more sites are added to the EPA docket under DOT ownership this would impact the current NFRAP status goal. EPA's assessment of the completeness of DOT's cleanup activities at these sites will drive the success of this goal.

Partners: EPA and state environmental regulatory agencies

Associated Funding:

FY 2009: \$38,798,000

Actual results: 94%

Description of Results: The performance goal of 94% NFRAP status was attained and maintained during Fiscal Year 2009. Four FAA sites are on the docket and will be there for several years. They are: Ronald Reagan National Airport, Kirksville Air Route Surveillance Radar, Mike Monroney Aeronautical Center, and the William J. Hughes Technical Center. FAA has developed short-term actions (1-4 years) for achieving NFRAP status for the Ronald Reagan National Airport site. The other three sites, however, are more complex to address and will take much longer to completely clean up. For example, FAA expects to finish clean-up at the William J. Hughes Technical Center around 2040.

Target Achievement: *Met*

Streamlined Environmental Review FY 2009 Enacted Funding: \$136 Million

Strategic Goal: Environmental Stewardship - Promote transportation solutions that enhance communities and protect the natural and build environment.

Operating Administrations: Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and Federal Aviation Administration (FAA)

Performance Measure: Median time in months to complete Environmental Impact Statement (EIS) for DOT-funded infrastructure projects.

Why do we measure this? To determine if transportation projects, in particular the environmental reviews, are being delivered in a reasonable amount of time. The measure shows the tension between needing to build transportation facilities and responsibly protecting the environment.

Target: 54 months (revised)

Actual: 76.8 months

Strategic Target: 48 months in FY 2011 (revised)

How do we set targets? Targets are set based on historical median time frames for completing National Environmental Policy Act (NEPA) requirements for EISs, and the demonstrated benefits of linking the planning process with the environmental review process. This provides DOT with a better sense as to possible sources of delay in the NEPA process.

Public Benefit: The public benefits by their ability to provide input into the NEPA process, including the identification of resources, community impacts, alternative development, and the opportunity to review and comment on environmental documents. Streamlining the NEPA process leads to timely project-related decisions and project delivery.

External factors affecting performance: State and local impediments such as lack of resources (funding and staff), political considerations, differing resource agency missions, and community controversy can lead to delay. On the Federal side, a lack of dedicated staff resources can lead to project delays. Differing missions and goals of various agencies can also lead to project delays. In addition, the complexity of the project as well as the number and significance of protected resources can delay projects.

Partners: State Departments of Transportation, State and Federal resource agencies, interested parties and the public.

Associated Funding:

FY 2009: \$145,714,000

Actual results: 76.8 months

Description of Results: DOT finished the NEPA process for 35 projects in Fiscal Year 2009. Twenty-six of those projects took more than four and a half years to complete.

Target Achievement: *Did not meet*

Target Assessment: The NEPA process can be delayed for many reasons, including fiscal constraints at the state and local level, changes in leadership at state DOTs, significant community opposition to a project, and delays due to interagency coordination.

Outlook and Actions: DOT agencies will identify and address the reasons for delay on specific projects, particularly instances in which more interagency coordination is needed and better project scoping would help, to reduce the overall time required.

Timeline for affecting future performance: DOT expects a gradual reduction over the next few years as older projects move out of the system and others are cancelled.

Other Environmental Activities

FY 2009 Enacted Funding: \$4.2 Billion

Strategic Goal: Environmental Stewardship

Promote transportation solutions that enhance communities and protect the natural and build environment.

Operating Administration: FHWA

Performance Measure: Number of exemplary human environment initiatives.

Why do we measure this? Exemplary Human Environment Initiatives (EHEI) identify and reward innovation, improve the state of the practice for development of transportation projects and activities, offer the potential of transferability, demonstrate partnering and collaboration, provide specific benefits to human activity, and represent the mainstreaming of ecosystem and conservation initiatives.

Target: 15

Actual: 16

Strategic Target: 15

How do we set targets? Targets are set based on the anticipated number of submittals.

Public Benefit: The EHEI promotes environmental stewardship by giving recognition to transportation projects and activities that are particularly effective and innovative in how they adapt and enhance the human environment. It gives incentives to transportation sponsors to pursue new ways to adapt transportation projects to the human environment, thereby better meeting the needs of the communities they serve.

External factors affecting performance: None

Partners: State Departments of Transportation and Federal Lands Management Agencies.

Associated Funding:

FY 2009: \$4,191,000,000

Actual results: 16

Description of Results: In 2009, 16 EHEI projects were recognized. Of these 16, 6 were also recognized as Exemplary Ecosystem Initiatives. This is the second year that States could submit projects for joint recognition.

Target Achievement: *Exceeded*

Target Assessment: Now in its third year, the EHEI program is receiving more visibility. The quality of submissions is increasing and more projects are worthy of recognition. The linkage to the Exemplary Ecosystem Initiative helped raise awareness and provided an opportunity to highlight some truly exemplary projects.

Outlook and Actions: The next call for proposals is in early 2010. FHWA is encouraging more States to participate in the program.

Timeline for affecting future performance: The next project submittals are due in May 2010.

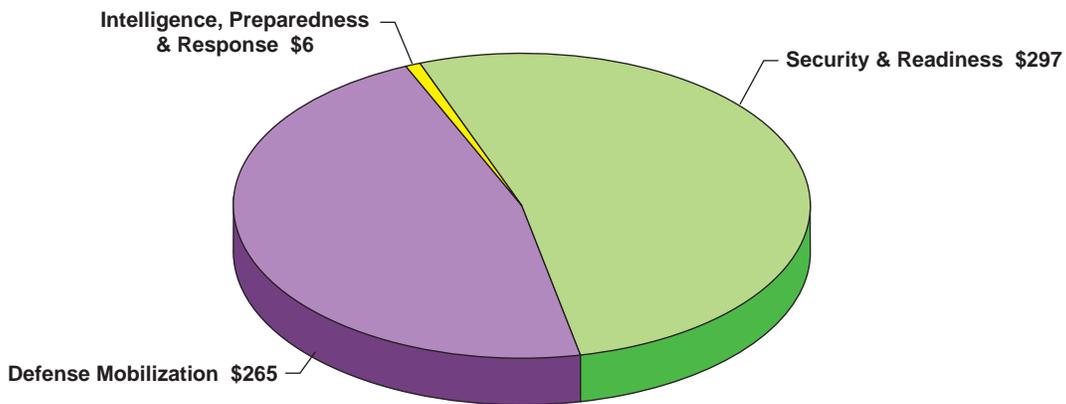
SECURITY, PREPAREDNESS AND RESPONSE

Balance Transportation Security Requirements With The Safety, Mobility, And Economic Needs Of The Nation And Be Prepared To Respond To Emergencies That Affect The Viability Of The Transportation Sector

Threats may emanate from nature or from acts of terrorism, but either way, the transportation system is at once a target for damage and a critical infrastructure element for response and recovery. Working with the U.S. Department of Homeland Security and the U.S. Department of Defense as appropriate, the U.S. Department of Transportation, as well as state and local transportation departments, are significant players in security, preparedness and response.

The U.S. Department of Transportation leveraged \$568 Million to ensure preparedness for response to emergencies that impact the transportation system.

FY 2009 Enacted Funding by SECURITY, PREPAREDNESS & RESPONSE
Strategic Objectives
(Dollars in Millions)



Total FY 2009 Funding: \$568 Million

Key Performance Area

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2009 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Intelligence, Preparedness and Response

Percent of DOT personnel with emergency management responsibilities who are prepared to respond to disasters or emergencies

Percent of DOT agencies meeting annual response requirements

Security and Readiness

The DOT Operating Administrations work closely with the Departments of Homeland Security and Defense and other stakeholders to ensure the security of specific modes of transportation nationwide.

Defense Mobilization

- ✓ Percentage of DOD-required shipping capacity complete with crews available within mobilization timelines.
- ✓ Percentage of DOD-required commercial ports available for military use within DOD established readiness timelines.

2009 Performance Highlights

- DOT exceeded its targets for both the percentage of ships and crews and the percentage of strategic ports that were available for DOD deployment of military equipment.
- DOT began measuring its ability to respond to emergencies this year and found that its staff and most of its component agencies are prepared.

Intelligence, Preparedness and Response FY 2009 Enacted Funds: \$6 Million

Strategic Goal: Security, Preparedness and Response - Balance transportation security requirements with the safety, mobility, and economic needs of the national and be prepared to respond to emergencies that affect the viability of the transportation sector.

Operating Administration: Office of the Secretary of Transportation (OST)

Performance Measure: Percent of DOT personnel with emergency management responsibilities who are prepared to respond to disasters or emergencies.

Why do we measure this? This is the first year that DOT has reported on this performance measure. DOT tracks the participation of National security professionals who complete required training courses and the participation of national security professionals who are required to participate in exercises that simulate disasters.

Target: 100%

Actual: 100%

Strategic Target: 100%

How do we set targets? The Office of the Secretary (OST) identifies activities critical for disaster response, including continuity of operations across the DOT agencies during an emergency and evaluates whether the agencies have fulfilled their obligations. National Security professionals throughout the Department have met their training requirements.

Public Benefit: DOT tracks this activity to ensure that its staff is able to make effective transportation decisions at all levels to sustain transportation services, mitigate adverse economic impacts and, meet national needs, following a disaster.

External factors affecting performance: The Department of Homeland Security operates and schedules the National Exercise Program. It is possible that not all senior DOT staff would be able to participate in preparedness exercises because of scheduling conflicts.

Partners: All DOT agencies

Associated Funding

FY 2009: \$3,730,000

Actual results: 100%

Description of Results: The Office of Intelligence, Security and Emergency Response led the Department's participation in National Level Exercise 2009. In this exercise, international terrorist teams were attempting to enter the United States via the southern border or through the ports to disrupt the transportation infrastructure or other critical infrastructure targets. During the exercise DOT successfully tested its Alert and Notification system, as well as the deployment and activation of alternate sites. DOT verified that it is able to communicate between DOT sites and Headquarters and to continue essential functions from an alternate location.

Target Achievement: *Met*

Strategic Goal: Security, Preparedness and Response - Balance transportation security requirements with the safety, mobility, and economic needs of the national and be prepared to respond to emergencies that affect the viability of the transportation sector.

Operating Administration: Office of the Secretary (OST)

Performance Measure: Percent of DOT agencies meeting annual response requirements

Why do we measure this? This is the first year that DOT has reported on this performance measure, which gauges the ability of the Department to effectively respond to emergencies affecting the transportation sector.

Target: 100 percent

Actual: 96 percent

Strategic Target: 100 percent

How do we set targets? The Office of the Secretary (OST) identifies and evaluates responsibilities, including staffing, across the Department required for continuity of operations, the crisis management center and the regional emergency transportation program. OST then evaluates how many of the requirements were met.

Public Benefit: DOT supports this activity to ensure that the Department is able to sustain transportation services, mitigate adverse economic impacts, meet societal needs, and move emergency relief personnel and commodities following a disaster.

External factors affecting performance: None

Partners: All DOT agencies

Associated Funding

FY 2009: \$2,776,000

Actual results: 96 percent

Description of Results: To determine the ability of the DOT agencies to respond to disasters, the DOT Office of Intelligence and Security evaluates whether DOT agency Continuity of Operations plans meet Department of Homeland Security requirements, whether mandatory communications tests were passed by each DOT agency, and whether required resources were provided by each DOT agency for the 24 hour DOT Crisis Management Center and the Regional Emergency Response Program. OST determined that six agencies and OST were fully ready to respond to disasters. Three agencies were fully compliant in all but 1 area measured and the remaining agency did not meet two of the requirements.

Target Achievement: *Did not meet*

Outlook and Actions: Through training and exercises, the Office of Intelligence and Security continues to work with senior staff to ensure that the agency Administrators and their senior staff understand the significance of the program. The office has also revised the DOT Order that lays out the requirements for each agency.

Security and Readiness

FY 2009 Enacted Funds: \$297 Million

Security in the Air In FY 2009, FAA continued to enhance its ability to respond to crises rapidly and effectively, including security-related threats and natural disasters, by building and improving emergency plans and preparedness tools that will enable us to sustain essential services and provide for employee well-being during crisis events. Operational coordination, communication, and command and control capabilities needed to prepare for, respond to, and recover from crises were strengthened and the use and functionality of operational and corporate crises response structures, such as specialized hurricane coordination cells and continuity of operations programs, were improved.

Security on our Highways FHWA continued to balance the need to protect critical transportation infrastructure with the safety, mobility and economic needs of the nation. During FY 2009, FHWA enabled State departments of transportation to implement critical security enhancement activities such as response to disasters, freight and border security operations, and critical infrastructure vulnerability assessments and counter measure deployment. A major ongoing program is maintaining national defense mobility using the Strategic Highway Network (STRAHNET). The STRAHNET is a 62,791-mile system of roads deemed necessary for emergency mobilization and peacetime movement of heavy armor, fuel, ammunition, repair parts, food, and other commodities to support U.S. military operations.

FMCSA implemented a security program for motor carriers that transport hazardous materials that checks driver identification, conducts on-site security assessments, encourages carrier security sensitivity, and communicates information about hazardous materials security threats, alerts and vulnerabilities. As the agency with primary responsibility for regulating the trucking industry, FMCSA has incorporated security sensitive visits and security contact reviews into its normal operations.

Security in Public Transit Transit is a critical, high risk and high consequence national asset. Every day, transit provides mobility to 14 million passengers on transit systems that range from very small bus-only systems in rural communities to the largest urban economic and financial centers in the nation. FTA has provided employee training, emergency preparedness, and public awareness through oversight, technical assistance, and research programs. We also provided guidance and information to state and local agencies on transit preparedness in the case of an emergency. FTA also formalized a relationship with the DHS Transportation Security Administration through the execution of the DOT/DHS Memorandum of Understanding's Public Transit Annex enabling FTA to leverage its expertise and resources to maximize effective transit security coordination.

Defense Mobilization FY 2009 Enacted Funds: \$250 Million

Strategic Goal: Security, Preparedness and Response – Balance transportation security requirements with the safety, mobility, and economic needs of the nation and be prepared to respond to emergencies that affect the viability of the transportation sector.

Operating Administration: Maritime Administration (MARAD)

Performance Measure: Percentage of Department of Defense (DOD) -required shipping capacity [both commercial and government-owned], complete with crews, available within mobilization timelines.

Why do we measure this? To ensure that the level of shipping capacity is sufficient to meet current and projected military requirements to transport cargo to support the U.S. military in actions around the world.

Target: 94% (FY 2009)

Actual: 96%

Strategic Target: 94% (FY 2011)

How do we set targets? Targets are based on readiness response times that have historically met DOD requirements.

Public Benefit: The readiness represented by the government-owned Ready Reserve Force, the Maritime Security Program, and the Voluntary Intermodal Sealift Agreement program provide the desired readiness capability to support U.S. national security interests as well as employment for U.S. citizen mariners to crew the commercial and government-owned fleets.

External factors affecting performance: DOD requirements contribute to the sizing of both the government-owned and commercial fleets.

* This funding supports all of MARAD's security activities.

Partners: Department of Defense, U.S. Transportation Command, U.S. flag ship operators, Ready Reserve Force ship managers, and Maritime Labor Organizations (e.g., Marine Engineers' Beneficial Association, American Maritime Officers, and Seafarers International Union).

Associated Funding*

FY 2009: \$265,000,000

Actual results: 96%

Description of Results: Maritime Administration met its target while absorbing eight Fast Sealift Ships that were assigned from the Military Sealift Command to the Maritime Administration. MARAD, in coordination with ship managers, has implemented procedures to correct many of the deficiencies associated with the readiness status of these vessels.

Target Achievement: *Exceeded*

Strategic Goal: Security, Preparedness and Response – Balance transportation security requirements with the safety, mobility, and economic needs of the national and be prepared to respond to emergencies that affect the viability of the transportation sector.

Operating Administration: Maritime Administration (MARAD)

Performance Measure: Percentage of DOD commercial ports available for military use within DOD-established readiness timelines.

Why do we measure this? This measure helps MARAD assess the readiness of the commercial ports that will be used to transport military equipment and supplies.

Target: 93% (FY2009)

Actual: 100%

Strategic Target: 93% (FY2011)

* This funding supports all of MARAD's security activities.

How do we set targets? Targets are based upon forecasts by strategic ports of their ability to meet DOD-readiness requirements.

Public Benefit: To help ensure the secure, efficient, and timely flow of military cargo through commercial ports with minimal commercial cargo disruption. This mission is critical so that the nation can support deployed troops.

External factors affecting performance: The size and timeline of the deployment, available commercial port and intermodal capacity, readiness of the port, and weather conditions all affect this performance measure. Port readiness is dependent on training, exercises, deployment coordination and monthly and semi-annual readiness assessments.

Partners: Commercial strategic ports and the National Port Readiness Network (NPRN), which is composed of the U.S. Transportation Command, Military Surface Deployment and Distribution Command, U.S. Coast Guard, Transportation Security Administration, U.S. Army Corps of Engineers, U.S. Northern Command, U.S. Army Forces Command, U.S. Army Installation Management Command, Military Sealift Command and the Maritime Administration.

Associated Funding* (In thousands)

FY 2009: \$265,000,000

Actual results: 100%

Description of Results: All identified Port Planning Order facilities are available to support the deployment, sustainment and redeployment of the U.S. Armed Forces and other national emergency requirements. The availability of these facilities will help ensure the secure, efficient and timely flow of military cargo through commercial ports with minimal commercial cargo disruption. This mission is critical to the Nation's ability to meet its deployment timelines.

Target Achievement: Exceeded

Target Assessment: MARAD, through its Port Readiness Programs and Chairmanship of the National Port Readiness Network (NPRN), continues to enhance DOD's access to the commercial strategic ports and improve DOD's deployment process through those ports. As part of that effort, MARAD Headquarters and field office staff conducted more frequent port visits, and assessments and communicated regularly with the ports.

In FY 2010, the NPRN and the American Association of Port Authorities will sponsor a national Strategic Port Workshop to bring together the commercial ports and DOD deployment communities to discuss and identify areas that can be further improved.

Outlook and Actions: MARAD forecasts high availability of commercial port facilities for the next three or four years. The agency will continue to administer the MARAD Port Readiness Programs and evaluate ways to improve port access and deployment processes. The NPRN continues to evaluate its mission and ways to improve port readiness.

ORGANIZATIONAL EXCELLENCE

Advance The Department's Ability To Manage For Results And Achieve The Goals Of The President's Management Agenda

We cannot achieve our strategic goals without leadership and continuous improvement in all the supporting functions of the Department. We actively pursue the goals of the President's Management Agenda as well as other externally- and internally-driven initiatives that improve the operations of the entire Department through each and every DOT agency.

The U.S. Department of Transportation leverages \$1.30 billion to provide leadership in human resources, commercial services, financial management, performance improvement, and eGov.

Key Performance Areas

Strategic outcomes from the DOT Strategic Plan are indicated in blue and FY 2009 results for key DOT performance measures are marked to indicate Met Target (✓) and Did Not Meet Target (✗).

Commercial Services Management

- ✓ For major DOT aviation systems, percentage of cost goals established in the acquisition project baselines that are met.
- ✓ For major DOT aviation systems, percentage of scheduled milestones established in acquisition project baselines that are met.

Financial Performance

- ✗ Percentage of major federally funded transportation infrastructure projects with less than 2 percent annual growth for project completion milestones.
- ✗ Percentage of finance plan cost estimates for major federally funded transportation infrastructure projects with less than 2 percent annual growth in project completion cost.

2009 Performance Highlights

- DOT funded 37 infrastructure projects in aviation, highways, and transit in FY 2009. Twenty-nine of those projects were on schedule and thirty two were within budget at the end of September.

Commercial Services Management

Strategic Goal: Organizational Excellence – Advance the Department’s ability to manage for results

Operating Administration: Federal Aviation Administration (FAA)

Performance Measure: For major DOT aviation systems, the percentage of cost goals established in the acquisition project baselines that are met.

Why do we measure this? Maintaining the 90 percent target reached in Fiscal Year 2009 ensures that FAA meets the Federal Acquisition Streamlining Act of 1994, Title V. This Act requires agencies to establish cost, schedule, and measurable performance goals for all major acquisition programs and achieve 90 percent of those goals.

Target: 90%

Actual: 100% (preliminary)

Strategic Target: 90%

How do we set targets? The Federal Acquisition Streamlining Act of 1994, Title V, requires agencies to establish cost and schedule performance goals for all major acquisition programs and to achieve 90 percent of those goals.

Public Benefit: FAA’s ability to keep acquisitions within budget will allow for a timely transition to NextGen programs. The transition to NextGen involves acquiring numerous systems to support improved safety and capacity for the flying public.

External factors affecting performance: None

Partners: FAA’s Air Traffic Organization

Associated Funding:
FY 2009: \$32,390,000

Actual results: 100% (preliminary)

Description of Results: In Fiscal Year 2009, a total of 97.06 percent of the major system investments remained within their established cost goals. An increase in funding for one program was authorized to continue sustainment of the system.

Target Achievement: *Exceeded*

Target Assessment: FAA implemented quarterly reviews with Air Traffic Organization managers responsible for major systems investments. During these meetings, FAA reviews the financial status, annual milestones, earned value management performance data and technical requirements of each project.

Additionally, large or complex capital programs are now segmented into manageable phases to improve executive oversight and control. Segmenting large capital programs into phases such as development, demonstration, and production, allows FAA management to review incremental progress against cost and schedule baselines and approve subsequent program phases based upon program performance achieved to date.

Outlook and Actions: FAA plans to combine the separate acquisition cost goal and the acquisition schedule goal into one goal based on a programs total cost and schedule baseline performance. Combining these measures to represent total program performance would alleviate confusion, provide better clarity and consistency with Congressional reporting, which is based on total program cost and schedule performance.

Strategic Goal: Organizational Excellence – Advance the Department’s ability to manage for results

Operating Administration: Federal Aviation Administration (FAA)

Performance Measure: For major DOT aviation systems, the percentage of scheduled milestones established in the acquisition project baselines that are met.

Why do we measure this? Maintaining the 90 percent target reached in Fiscal Year 2009 ensures that FAA meets the Federal Acquisition Streamlining Act of 1994, Title V. This Act requires agencies to establish cost, schedule, and measurable performance goals for all major acquisition programs and achieve 90 percent of those goals.

Target: 90%

Actual: 93.75% (preliminary)

Strategic Target: 90%

How do we set targets? The Federal Acquisition Streamlining Act of 1994, Title V, requires agencies to establish cost and schedule performance goals for all major acquisition programs and to achieve 90 percent of those goals.

Public Benefit: FAA's ability to keep acquisitions on schedule will allow for a timely transition to NextGen programs. The transition to NextGen involves acquiring numerous systems to support improved safety and capacity for the flying public.

External factors affecting performance: None

Partners: FAA's Air Traffic Organization

Associated Funding:
FY 2009: \$32,390,000

Actual results: 93.80 % (preliminary)

Description of Results: In FY 2009 a total of 93.8 percent of the major system investments remained within their established schedule goals. Sixty (60) of sixty-four (64) milestones were met. Three of the four milestones not completed on their scheduled dates were completed within the fiscal year and had no impact on overall program performance. One milestone will be completed in Fiscal Year 2010. The FAA's internal management process and alignment with strategic goals continues to result in a higher percentage of milestones meeting their schedules. In a January 2009 report titled, "High Risk Series and Update", GAO determined that FAA's improved management capabilities on major projects warranted removal from the GAO High Risk list.

Target Achievement: *Exceeded*

Target Assessment: FAA implemented quarterly reviews with Air Traffic Organization managers responsible for major systems investments. During these meetings, FAA reviews the financial status, annual milestones, earned value management performance data and technical requirements stability of each project.

Additionally, large or complex capital programs are now segmented into manageable phases to improve executive oversight and control. Segmenting large capital programs into phases such as development, demonstration, and production, allows FAA management to review incremental progress against cost and schedule baselines and approve subsequent program phases based upon program performance achieved to date.

Outlook and Actions: FAA plans to combine the separate acquisition cost goal and the acquisition schedule goal into one goal based on a programs total cost and schedule baseline performance. Combining these measures to represent total program performance would alleviate confusion, provide better clarity and consistency with Congressional reporting, which is based on total program cost and schedule performance.

Financial Performance

Strategic Goal: Organizational Excellence – Advance the Department’s ability to manage for results

Operating Administrations: Federal Highways Administration (FHWA), Federal Aviation Administration (FAA), and Federal Transit Administration (FTA)

Performance Measure: Percent of major Federally-funded transportation infrastructure projects with less than 2% annual growth in the project completion milestone as reported in the finance plan.

Why do we measure this? This measure helps to determine DOT’s effectiveness as a steward of Federal resources. Unexpected delays in major projects diminish public trust and hinder effective resource planning.

Target: 90%

Actual: 78.37%

Strategic Target: 90%

How do we set targets? Targets are based on the professional experience of major project engineering staff.

Public Benefit: Focus on reaching established project milestones improves federal stewardship of funding and reduces delays.

External factors affecting performance: The Federal Government provides funding for airports, highways, and transit projects. In all three instances the Government is only one of several sources of funding and its control over an entire project is limited.

Partners: State Departments of Transportation, local governments, State and local transit agencies, airport owners, airlines, cargo carriers, and other aviation users

Associated Funding

FY 2009: \$44,639,000

Actual results: 78.37%

Description of Results: Twenty-nine of thirty-seven major DOT infrastructure projects were on schedule at the end of Fiscal Year 2009. All four airport projects were on schedule and one of the projects, a new runway at O'Hare Airport, was completed ahead of schedule. Among the 28 highway projects, 22 were on schedule. Five out of seven of FTA's projects are on schedule. Both New York project schedules slipped when the Metropolitan Transit Authority decided to repackage the projects into a number of smaller bid packages. This took longer than expected adding by itself at least a year's delay to the projects. In addition, there have been extended delays for the East Side Access project due to the default of the original Queen Tunnel contract.

Target Achievement: *Failed to meet*

Target Assessment: FHWA has found that some highway project sponsors are setting overly ambitious schedules or failing to deliver projects within realistic timeframes. By reviewing major project finance plans, FHWA intends to improve the feasibility of the project schedules set by partners. Through expanded training opportunities FHWA is developing a cadre of staff skilled in major project review.

Outlook and Actions: As DOT personnel become more experienced in reviewing project management plans and monitoring grantees' progress, as well as advising grantees about how to set realistic milestones, more projects will remain on schedule.

Strategic Goal: Organizational Excellence – Advance the Department’s ability to manage for results

Operating Administrations: Federal Highways Administration (FHWA), Federal Aviation Administration (FAA), and Federal Transit Administration (FTA)

Performance Measure: Percent of finance plan cost estimates for major Federally-funded transportation infrastructure projects with less than 2% annual growth.

Why do we measure this? This measure helps to determine DOT’s effectiveness as a steward of Federal resources. Unexpected cost increases in major projects diminish public trust and hinder effective resource planning.

Target: 90%

Actual: 83.78%

Strategic Target: 90%

How do we set targets? Targets are based on the professional experience of major project engineering staff.

Public Benefit: Focus on cost overruns improves federal stewardship of funding and reduces costs.

External factors affecting performance: The Federal Government provides funding for airports, highways, and transit projects. In all three instances the Government is only one of several sources of funding and its control over an entire project is limited.

Partners: State Departments of Transportation, local governments, state and local transit agencies, airport owners, airlines, cargo carriers, and other aviation users

Associated Funding

FY 2009: \$44,639,000

Actual results: 83.78%

Description of Results: Collectively, the three DOT agencies that fund major infrastructure projects increased the percentage of projects within budget by nearly 2% over last year’s results (82%). Airport projects did particularly well. A new runway

opened in Seattle in November 2008 and a new runway and runway extension opened at the Chicago O'Hare airport in 2008. All three projects were within budget. Twenty-four of twenty-eight major highway projects were within budget. The Federal Transit Administration has funded seven projects that each exceed \$1 billion. Five of the projects are within their original budget estimates.

Target Achievement: *Failed to meet*

Target Assessment: The increase in cost over the original budget for the New York Metropolitan Transit Authority East Side Access and Second Avenue subway projects is due to a combination of events including higher cost of materials, a less competitive bidding environment that required repackaging that delayed the project, poor contractor performance, unbudgeted stakeholder requirements, and lack of timely decisions. FHWA found that much of the budget increase on major highway projects could be attributed to increased construction and development costs in recent years.

Actions and Outlook: FTA is withhold Recovery Act funds for the New York projects until the New York Metropolitan Transit Authority has provided FTA with a recovery plan and a revised cost and schedule for each project.

Timeline for affecting future performance: Improving the overall percentage of projects that remain on budget requires good performance on new projects, to balance older projects that have overrun their budgets. A gradual year-by-year improvement will require improved oversight and management of new projects.

Organizational Excellence

E-Government

During FY 2009, DOT actively pursued the goals of President Obama's call for transparency, participation and collaboration, as well as other externally- and internally-driven initiatives that improved agency operations. DOT continued to eliminate redundant operations and improve overall service and security levels through expanding the Common Operating Environment (COE), enterprise services that are provided to the Operating Administrations (OA) to support the information technology (IT) infrastructure, to the field offices across the country. Associated efforts to institutionalize cybersecurity throughout the Department were evident in DOT's selection of a Department-wide security management tool and continued advancement of the DOT HSPD-12 plan and logical access capabilities to an additional 2,400 headquarters personnel.

Also during FY 2009, DOT improved "line-of-sight" into investments and provided the OAs a tool to facilitate quarterly and annual review by integrating OMB's IT Dashboard requirement into the Capital Planning Process. Modernizing DOT's web presence was initiated during the year to facilitate transparency and accountability to the public collaboratively. In addition, records management stakeholder working groups were created to begin to address a major FY 2010 initiative to establish an agency-wide, standardized practice for records management. With these efforts, along with continued policy development, foundations will be laid to support continued and sustainable improvements, exhibiting DOT's commitment to ensuring that investment in IT significantly improves its ability to serve the public effectively, securely and cost-effectively.

FY 2009 Accomplishments

- Expanded DOT Common Operating Environment (COE)

In FY 2009, the DOT COE expanded the number of supported desktop users to 7,662. This includes support for 4,909 headquarters users and 2,753 field users. As part of the expansion to the COE, efforts were made to transfer 87 field offices located across the country. These efforts to eliminate redundant operations, as well as improve overall service and security levels

During FY 2010, the COE is continuing to refine the field and Mobility Support Model to begin the transition of the remaining sites over the next two years. This

will include an additional 110 field offices with an expected 3,349 users which will bring the support for the COE to over 11,000 users.

- **Improved Investment/Portfolio Management**

In June of 2009, OMB launched the IT Dashboard for Government agencies and the public to view details of Federal IT investments online and to track their progress over time. DOT took a leadership role by integrating the Dashboard into the Departmental Capital Planning and Investment Control Process. The Dashboard has already improved DOT's line-of-sight into investments by virtue of presenting data in a graphical and easy-to-use interface. Also, DOT Operating Administrations (OA) can use the Dashboard as part of their quarterly and annual review processes.

During FY 2010, the Dashboard will be part of a redefined effort to embrace portfolio management by looking at investments by common business segments rather than individual OAs.

OTHER PERFORMANCE HIGHLIGHTS

American Recovery And Reinvestment Act Of 2009

The American Recovery and Reinvestment Act of 2009 (Recovery Act) is an extraordinary response to a crisis unlike any since the Great Depression. This landmark legislation is the most sweeping and ambitious domestic aid package the Federal Government has implemented in generations. It reflects an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges so our country can thrive in the 21st century. Since the President signed this hallmark legislation on February 17, 2009, the Department of Transportation has been working hard to ensure that the Recovery Act is being implemented quickly, wisely, and with unprecedented transparency and accountability to finance transportation projects throughout America.

Program plans for each DOT Recovery Act program can be found at <http://www.dot.gov/recovery/programs.html>.

Status at the Close of Fiscal Year 2009

DOT has made substantial progress since the enactment of the Recovery Act obligating funds ahead of schedule and helping our State and local partners with a diverse array of projects large and small. In fiscal year 2009, DOT:

- Obligated \$29.4 billion, or 61%, of the funds provided.
- Disbursed over \$3.6 billion from the U.S. Treasury to pay bills associated with Recovery Act activities.
- Supported over 9,000 projects.

TRANSIT - \$7.2 billion

more information is provided at: http://www.fta.dot.gov/index_9440.html#

The Federal Transit Administration (FTA) provided grants to transit agencies for capital projects to improve the condition of the nation's transit assets. FTA was able to award almost 90% of its grant funds totaling \$7.4 billion by September 30. In addition, the FTA has processed over a quarter of a billion dollars in FHWA Recovery Act funds where States and localities have chosen to "flex" highway resources to transit investments.

Fixed Guideway Infrastructure - \$742.5 million

The Fixed Guideway Infrastructure program is intended to provide capital assistance for the modernization of existing fixed guideway systems such as rail, trolleybus, aerial tramway, cable car, ferryboats, and that portion of motor bus service operated on exclusive or controlled rights-of-way, and high-occupancy-vehicle (HOV) lanes. By September 30th, FTA had awarded almost over 99.4% of its funds for capital investments.

Capital Investment Grants - \$742.5 million

The purpose of the Capital Investment Grant program is to provide funding for new fixed-guideway transit systems or for extensions of existing fixed guideway systems including heavy rail, light rail, commuter rail, bus rapid transit, streetcars, ferries, and substantial corridor-based bus systems. By September 30th, FTA had awarded over 63.1% of its funds for capital investments.

Transit Capital Assistance - \$6.7508 billion

The purpose of the Transit Capital Assistance program is to support the capital, and to a limited extent operating, needs of public transportation systems in urbanized, rural, and tribal areas. The program also supports investments that reduce the overall energy use and greenhouse gas emissions of transit systems. By September 30th, FTA had awarded almost 97.7% of its funds for transit capital assistance.

HIGHWAY - \$27.5 billion

<http://www.fhwa.dot.gov/economicrecovery/index.htm>

Highway Infrastructure Investment – \$27.5 billion

A major portion of DOT's Recovery Act resources are at work improving our highways and bridges. Of the \$27.5 billion appropriated specifically to the Federal Highway Administration (FHWA), \$19.4 billion – or about 72% – has been obligated to support work on more than 8,000 projects as of September 30. Almost 60% of FHWA funding has been obligated to projects that support economically distressed areas as defined by the Department of Commerce.

RAIL - \$9.3 billion

<http://www.fra.dot.gov/us/content/2153>

High-Speed Rail - \$8 billion

With President Obama's focus on high speed rail, the Recovery Act provided \$8 billion to the Federal Railroad Administration (FRA) to develop high speed rail capability in the United States. At the end of the Fiscal Year 2009, FRA was still reviewing over 45 applications requesting over \$50 billion in funds for high speed rail funding.

AMTRAK – \$1.3 billion

The Recovery Act provided \$1.3 billion for AMTRAK to improve and expand its fleet, track, bridges, tunnels, and signals, as well as improve the safety and security of its facilities. Of the \$1.3 billion provided to AMTRAK, \$450 million was specifically designated for capital security grants. As of September 30th, FRA had obligated 100% of these funds to AMTRAK.

AIR - \$1.3 billion

<http://www.faa.gov/recovery/>

Airport Grants – \$1.1 billion

The Federal Aviation Administration (FAA) provided \$1.1 billion in funding for upgrades and improvements on runways and airport facilities in Fiscal Year 2009. These projects will enhance safety, capacity, and security at airports. They include construction or rehabilitation of new airports, runways, runway safety areas, taxiways, aprons, terminal buildings, and Aircraft Rescue and Fire Fighting (ARFF) buildings. By the end of fiscal year, 99% of these funds had been obligated to over 300 projects at airports around the country.

Airport Facilities and Equipment Upgrades - \$200 million

FAA's Facilities and Equipment Upgrades program finances major capital investments related to modernizing and improving air traffic control and airway facilities, equipment, and systems. Of the \$200 million provided for Facilities and Equipment Upgrades, \$50 million each will fund upgrades to power systems and air route traffic control centers, \$80 million will be provided for airport traffic control towers, and \$20 million will be provided for navigation and landing equipment. By the end of the Fiscal Year, almost 45% of these funds were obligated.

MARITIME - \$100 million

http://www.marad.dot.gov/about_us_landing_page/marad_recovery_act/recovery.htm

Assistance to Small Shipyards - \$100 million

The Recovery Act provided the Maritime Administration (MARAD) with \$98 million in grant funding to make capital and infrastructure improvements at small shipyards. The grants provided to the shipyards will facilitate the efficiency, cost-effectiveness, and quality of domestic ship construction, conversion, or repair for commercial and federal use. In August, MARAD awarded grants to 70 projects throughout the nation worth \$98 million. The balance of the \$100 million funded administrative costs.

GRANTS FOR NATIONAL SURFACE TRANSPORTATION SYSTEMS - \$1.52 billion

<http://www.dot.gov/recovery/ost/>

Supplemental Discretionary Grants for National Surface Transportation System - \$1.5 billion

The Recovery Act provided the Office of the Secretary of Transportation \$1.5 billion in grant funding for capital investments in surface transportation infrastructure projects that will have a significant impact on the Nation, a metropolitan area, or a region (including highway, bridge, public transportation, passenger rail, freight rail, and port infrastructure projects). The deadline for submitting applications for funding, regardless of the mode of transportation, was September 15th 2009 and over 1300 applications for projects worth \$56.5 billion were received. These grants are currently under review and these funds will be awarded in Fiscal Year 2010.

Disadvantaged Business Enterprise Bonding Assistance - \$20 million

The Disadvantaged Business Enterprise (DBE) Bonding Assistance Program assists DBEs to obtain bid, payment, and performance bonds in a timely and efficient manner. These funds will enable DBEs to compete for and perform transportation-related projects receiving Recovery Act funding for DOT. Because the program began in September of Fiscal Year 2009, funding for only one project was obligated by the end of the fiscal year.

Jobs & Projects

One of the primary goals of the Recovery Act was to preserve and create jobs. The money appropriated to DOT by the Recovery Act is doing exactly what Congress intended it to do: it is creating jobs and reinvigorating our economy. DOT is collecting information on the number of jobs created and sustained by Recovery Act funding and information about jobs will be available during Fiscal Year 2010.

It is important to recognize that many projects came in under budget. State departments of transportation around the country have reported intense competition by contractors for Recovery Act projects. Examples of winning bids include the replacement of the US 378 Bridge over the Little Pee Dee River in Marion and Horry counties in South Carolina. Of the seven bids received, the winning bid came in at \$26.5 million, which was more than 25% below the state's estimate for the project. Similarly, the lowest bid for the Bartlesville, Oklahoma Municipal Airport project to rehabilitate runway 17/35 came in at \$3.4 million, which was well below the \$4.2 million estimate. Because of such underbids, DOT has been able to fund more projects than originally expected under the Recovery Act.

Accountability

DOT brought together an intermodal team of experts from our policy, legal, financial, and information technology disciplines to work along side programmatic experts in our operating administrations to anticipate the requirements in the new legislation. This new team – termed Transportation Investments Generating Economic Recovery, or TIGER Team – was tasked with coordinating and overseeing the Department's responsibilities and reporting regularly on their progress.

In order to address the management challenges associated with the Recovery Act, DOT has developed a systematic and comprehensive approach to risk assessment and management. The risk management tool developed by DOT was so well regarded by the Office of Management and Budget that it subsequently adopted the tool for Government-wide use. The tools use a four-step approach, which is built upon the sound foundation of internal controls assessments:

- Formal assessment of potential programmatic risks;
- Risk profile that categorizes the level of risk;
- Risk management and mitigation plans; and
- Validation and testing.

The Recovery Act has been implemented with an unprecedented level of transparency and accountability. A variety of reports on Recovery Act programs can be found at <http://www.dot.gov/recovery/reports.htm>.

The DOT portion of the Recovery Act specified additional reporting by grant recipients that is unique to the Department of Transportation. The TIGER Team deployed an online website to assist recipient reporting in time for the first reporting deadline of May 31, registered grant recipients, and provided guidance on needed data elements to assure consistent reporting. Two reports (of the five recurring reports required by section 1201(c) of the Recovery Act) were prepared in 2009.

Car Allowance Rebate System (Cars)

In 2009, the Department of Transportation administered the Car Allowance Rebate System (CARS), popularly known as Cash-for-Clunkers. The purpose of this program was to stimulate the automobile industry while improving the environment and reducing fuel consumption. At a time when consumers are likely to hold off on new purchases because of concerns about the economy, the CARS program provided an incentive to consumers to help boost the economy.

Beginning in July 2009, the CARS program provided rebates of \$3,500 or \$4,500 for trading in a less fuel efficient vehicle for a more fuel efficient vehicle. The program required the scrapping of eligible trade-in vehicles. Congress increased the \$1 billion initially appropriated to the program to a total of \$3 billion as a result of high demand for the vouchers.

The CARS program was administered by the National Highway Traffic Safety Administration (NHTSA). Program information and status of reimbursements for the CARS program can be found at <http://www.cars.gov/>.

Status at the Close of Fiscal Year 2009

In the final months of 2009, DOT provided reimbursement for nearly 700,000 claims worth \$2.9 billion through the CARS program. Of the vehicles traded in under CARS, 84 percent were trucks. Of the vehicles purchased through the CARS program, 59% were passenger cars.

Industry Viability

The CARS program helps to lower CO₂ emissions and reduce fuel consumption because the statute required new vehicles purchased through this program to be more fuel-efficient than the vehicle for which it is traded.

- Purchases occurred in a 30 day period which helped boost overall car sales by 10.6 percent, increased the fuel economy when compared to traded cars by 60 percent, and increased the nation's retail sales by 2.7 percent.

Fuel Economy

The CARS program helps to lower CO₂ emissions and reduce fuel consumption because new vehicles purchased through this program must be more fuel-efficient than the vehicle for which it is traded.

- The average fuel economy of trade-ins was 15.8 miles per gallon and the average fuel economy of purchased vehicles was 24.9 mpg. This amounts to annual fuel savings of 277 gallons and \$720 per driver, assuming average use of both the trade-in and new vehicle.

Safety

The CARS program also increased the safety of the vehicle fleet because the new cars purchased through the program are generally safer than older ones.

- Over 200,000 SUVs and light trucks with no Electronic Stability Control (ESC) were traded-in.

The Economy

Many auto producers such as Ford and General Motors announced production increases for the third and fourth quarter as a result of the demand generated by the program. The top ten new vehicles purchased in the CARS program included the Ford Focus and the Ford Escape, while General Motors vehicles were purchased at the second highest level.

CARS Transactions

A highly notable accomplishment in FY 2009, not reflected in previously published performance measures, was the administration of the CARS program. In 90 days, DOT developed and implemented a rule and created an information technology system that allowed car dealers to apply for rebates through the electronic system. This new system allowed for a rigorous review of claims and dealer payments with efficiency and allowed for unprecedented transparency of public funds to deter fraud in the disbursement of federal funds that will be an effective tool in years to come as a means of providing accountability in Government.

By the end of Fiscal Year 2009, 99% of the claims had been processed and paid. Transaction data and reports are available for download at <http://www.cars.gov/carsreport>.

Performance Data Completeness And Reliability

Performance measurement is dependent on the availability of useful data that will indicate level of performance and helps progress toward achieving organizational goals. Because all data are imperfect in some fashion, pursuing perfect data may consume public resources without creating appreciable value. For this reason, there must be an approach that provides sufficient accuracy and timeliness but at a reasonable cost. This section of the report provides information on how DOT uses performance data, assesses limitations of the data, and plans to improve DOT's data.

IN GENERAL

In an attempt to bring consistency and quality to its performance reporting, DOT has implemented some general rules regarding the data it uses and how it is evaluated.

Annual Data—Whenever available, the data in this document are reported on a Federal Government fiscal year basis. However, there are instances where fiscal year data are not available so calendar year data are used instead. This often occurs when data are collected and reported to DOT by external sources and a calendar year reporting requirement is specified in the implementing regulation.

Completeness of Data for Annual Results—If available, the results for the most recent year in the report are listed as Actual in the shaded box for each performance measure. However, given the November 15 deadline for submission of the Performance and Accountability Report, not all data have been compiled and finalized for the entire year. When an actual value is not available for the current year, either an estimate or a projection is provided instead. In general, estimates are based on partial-year data that are extrapolated to cover a full 12-month period. Historical trend information, supplemented by program expertise, is then applied to estimate the remaining months of performance for which actual data is unavailable. The result is identified as a preliminary estimate in the report. If partial-year data are not available, then past trend information is analyzed and supplemented by program knowledge to develop a projected value for the annual performance measure. The result is identified as a projection in the report. As data are finalized, the projections and preliminary estimates are replaced by actual results, with resulting changes denoted by an (r). Results are also amended as errors and omissions are identified in the data verification process, as updated information is provided by the reporting sources, or because of legal or other action that changes a previously-reported value.

Performance Data Completeness & Reliability

Reliability of Measurement Data—DOT performance data are generally reliable (useful to program managers and policy makers). But because performance results in a given year are influenced by multiple factors, some of which are beyond DOT’s control, and some of which are due to random chance, there may be considerable variation from year to year. A better “picture” of performance may be gained by looking at results over time to determine if there is a trend.

Virtually all data have errors. We have compiled Source and Accuracy Statements for each of the DOT data programs used in this report, which can be found at http://www.bts.gov/programs/statistical_policy_and_research/source_and_accuracy_compendium/index.html. The Source and Accuracy Statements give more detail on the methods used to collect the data, sources of variation and bias in the data, and methods used to verify and validate the data.

Assessing and, where possible, eliminating sources of error in DOT data collection programs has always been an important task for data program managers. As part of their ongoing work, managers of departmental data programs use quality control techniques to identify where errors can be introduced into the data collection system. Program managers also use computerized edit checks and range checks to minimize errors that may be introduced into the data of their respective programs. In addition, quality measurement techniques are employed to measure the effects of unanticipated errors. These include verification of data collection and coding, as well as coverage, response and non-response error studies to measure the extent of human error affecting the data. As sources of error are identified, data collection is improved.

The data used in measuring performance come from a wide variety of sources. Much of it originates from sources outside of the Department and, therefore, outside of the direct control of the Department. The data often come from administrative records or from sample surveys. While DOT may not have a strong voice in improving the quality of outside data, the Department takes all available information about the limitations and known biases in outside data into account when using the data.

To help the Operating Administrations (OAs) address these issues, the Bureau of Transportation Statistics (BTS) is developing a statistical policy framework where the OAs will work together to identify and implement the current statistical best practices in all aspects of their data collection programs. This project is consistent with the data capacity discussions found in the DOT Strategic Plan.

See *Other Accompanying Information* in the Financial Report for detailed explanations of completeness and reliability for each performance measure.

DATA LIMITATIONS

DOT Data Source Limitations—Timeliness is the most significant limitation for DOT performance measurement data. Some DOT data are not collected annually. For example, the National Household Travel Survey and the Commodity Flow Survey each collect data every five years. Data that are collected each year (or more frequently) require time to analyze, confirm and report results. For example, Highway Performance Monitoring System vehicle-miles traveled (VMT) data require several months of post-collection processing, making final results unavailable for this performance report.

Other performance measurement data limitations are identified in the previously mentioned Source and Accuracy Statements for DOT data programs. These statements contain descriptions of data collection program design, estimates of sampling errors (if applicable), and discussions of non-sampling errors. Non-sampling errors include under-coverage, item and unit non-response, interviewer and respondent response errors, processing errors, and errors made in data analysis.

Estimating and Projection Techniques Used—As discussed under completeness, most of the FY 2009 measures must be projected from either partial-year data or historical trends. The projections based on partial-year data from FY 2009 are more likely to reflect changes effected by current DOT policies and programs. The measures projected from FY 2008 and prior historical data reflect continuing trends from ongoing programs, but do not reflect the effects of changes implemented in FY 2009.

External Data Source Limitations—Data that originates from external or third-party sources are not directly controlled by DOT. These data often come from administrative records or from sample surveys. Timeliness is also a significant limitation. For example, many DOT internal data programs rely on data provided by State DOTs. DOT partners closely with the States, but does not have direct control over these programs.

DOT Program Evaluations

Performance measures show if intended outcomes are occurring and assess any trends. Program evaluation uses analytic techniques to assess the extent to which programs contribute to those outcomes and trends. As required by the Government Performance and Results Act of 1993, the Department's *FY 2006 - 2011 Strategic Plan* includes a schedule of program evaluations by fiscal year.

Types of Program Evaluations

Program evaluation is an assessment, through objective measurement and systematic analysis, of the manner and extent to which programs achieve intended outcomes. Evaluations are of the following types:

- *Impact Evaluations* use empirical data to compare measurable program outcomes with what would have happened in the absence of the program. These represent the highest standard of program evaluations and are often the most difficult and expensive to construct and interpret.
- *Outcome Evaluations* assess the extent to which programs achieve outcome-oriented objectives. These use quantitative methods to assess program effectiveness, but fall short of the rigorous causal analysis of impact evaluations.
- *Process Evaluations* assess the extent to which a program operates as intended. While a true process evaluation will use objective measurement and analysis, it falls short of assessing the causal links between intervention and outcome.
- *Cost-Benefit and Cost-Effectiveness Analyses* compare a program's outputs or outcomes with the costs to produce them. These analyses conform to program evaluation when applied systematically to existing programs and when measurable outputs and outcomes are monetized.

Program Evaluation Management

The programs selected for scheduled evaluations are vetted through the Department's strategic planning process. Each modal administration nominates programs that are then reviewed by a strategic planning executive committee to ensure: 1) adequate breadth of program evaluations across modal administrations; and 2) alignment to the strategic objectives. The OIG and the GAO pursue program evaluations independent of this schedule.

Performance & Accountability Report FY2009

DOT Agency	Program	Type of Evaluation	Source of Evaluation	Status
SAFETY				
FAA	Operational Error Program	Outcome	External	Complete with actions initiated
FMCSA	Compliance Reviews (On-Site Safety Interventions)	Data Verification	External	Complete
NHTSA	Highway Safety Research and Development: Highway Safety Programs	Outcome	External	Initiated
NHTSA	Vehicle Safety: Research and Analysis	Cost Benefit/ Cost-Effectiveness	Internal	Initiated
PHMSA	Hazardous Materials Safety and Pipeline Safety	Process	Internal	Complete
PHMSA	Hazardous Materials Safety	Process	Internal	Complete
PHMSA	Pipeline Safety	Process	Internal	Deferred
FRA	Research & Development	Process	External	Complete
FRA	Railroad Safety	Process	External	Complete
FMCSA	Enforcement of Compliance Operations	Process	External	Complete but pending approval prior to release
REDUCED CONGESTION				
FTA	Contracted Paratransit Pilot Program	Outcome	Internal	Complete but pending approval prior to release
GLOBAL CONNECTIVITY				
SLSDC	Operations and Maintenance	Compliance	External	Complete
ENVIRONMENTAL STEWARDSHIP				
MARAD	Ship Disposal	Process	External	Deferred
SECURITY, PREPAREDNESS AND RESPONSE				
MARAD	Maritime Security Program	Impact	External	Complete
ORGANIZATIONAL EXCELLENCE				
FAA	Acquisition Management System	Outcome	External	Complete
FMCSA	Information Technology Security Program Evaluation	Outcome	External	Complete, but pending approval prior to release
RITA	University Transportation Centers	Outcome	Internal	Cancelled

Safety

Operating Administration	Federal Aviation Administration
Program	Operational Error Program
Partners	NA
Name of Study	FAA's Process for Reporting and Investigating Operational Errors (Report Number AV-2009-045)
Listed in DOT Plan Y/N	Yes (FY 2008)
Reason for replacement or addition	NA
Status	Complete with actions initiated
Type	Outcome
Source	External OIG
Link	http://www.oig.dot.gov/StreamFile?file=/data/pdfdocs/WEB_FILE_Operational_Errors_Reporting_Issued_Mar_24.pdf

Purpose

The purpose of this evaluation was to determine whether the FAA had adequate policies and procedures in place to ensure the accuracy and consistency of operational error reporting and to review the roles and responsibilities of the Air Traffic Organization and FAA's Aviation Safety lines of business in reporting and investigating operational errors.

Contribution to Goal Performance

Operational errors occur when the air traffic control system fails to maintain separation between two aircraft. Such an occurrence can be an extremely serious incident that can lead to a catastrophic accident. Ensuring that all events involving a loss of separation are accurately reported, investigated, and addressed is critical to the safe operation of the National Airspace System and support FAA's Safety Goal.

Methodology

This program evaluation was conducted by the Department of Transportation's Office of Inspector General between November 2007 and December 2008 in compliance with generally accepted *Government Accounting Standards*. They statistically reviewed 166 pilot deviations with a loss of separation that occurred during FY 2007 at 13 Air Traffic facilities and interviewed FAA representatives. Additionally, they reviewed:

- Radar and voice data.
- Preliminary and final pilot deviation reports and related documentation.
- Quality Assurance Review reports and related documentation.
- Operational Error Detection Program alert logs and related documentation.
- Operational error documentation if the pilot deviation was also an operational error.
- FAA guidance.

Findings

This audit found that problems identified at the Dallas Fort Worth (DFW) Terminal Radar Approach Control (TRACON) facility were not systemic. However, the audit found that significant weaknesses exist in FAA's processes for reporting and investigating incidents involving a loss of separation.

Recommendations

Recommendations included establishing (1) a follow-up mechanism to ensure Flight Standards inspectors comply with new guidance for investigating pilot deviations, (2) a process to rate the severity of pilot deviations and a corresponding goal to reduce the most severe incidents, (3) milestones for fully implementing Traffic Analysis and Review Program (TARP), and (4) an internal audit of the planned changes to the ATO's safety oversight.

Planned Actions

Office of Safety personnel now conduct an independent review of all reported pilot deviations involving a loss of separation to ensure that any operational errors associated with the event are also properly reported. The Office of Safety provides a weekly report to Air Traffic Oversight Service (AOV) on the results of these reviews.

The Office of Safety is in coordination with the Office of Flight Standards to modify current pilot deviation reporting so that all preliminary loss reports are coordinated through the ATO's new Quality Assurance Service Area groups, which will be established in FY 2010.

In FY 2010, the Office of Safety will conduct Risk Analysis of all losses in which less than 66 percent separation was maintained, including separation loss which is currently reported as operational errors and pilot deviations.

Operating Administration	Federal Motor Carrier Safety Administration (FMCSA)
Program	Compliance Reviews (On-Site Safety Interventions)
Partners support	State partners provided quantitative and qualitative analytical support
Name of Study	FMCSA Compliance Review Effectiveness Model, March 2009
Listed in DOT Plan	Yes
Status	Complete
Type	Data verification
Source	External: Volpe National Transportation Systems Center
Link	http://ai.fmcsa.dot.gov/ProgramMeasures/Intro/ProgramMeasuresMain.asp

Purpose

This review was not a traditional program evaluation. The purpose of the review was to verify crash and fatality data submitted by state partners over several years. As a result, there were no findings or recommendations to improve program execution.

Operating Administration	National Highway Traffic Safety Administration (NHTSA)
Program	Highway Safety Research and Development: Highway Safety Programs
Partners	None
Name of Study	New Mexico Comprehensive Impaired Driving Program

Listed in DOT Plan	No
Reason for addition	Scheduled program evaluations were completed in previous fiscal years.
Status	Initiated
Type	Outcome
Source	External: Pacific Institute for Research & Evaluation

Purpose

NHTSA initiated the in-depth evaluation of its New Mexico Comprehensive Impaired Driving Program Demonstration to determine the effectiveness of this large-scale demonstration program. NHTSA will complete the program evaluation by 9/30/2011 and it will document the impact of this demonstration program in New Mexico. This program could serve as a model for other States if the evaluation shows it is effective in reducing alcohol-related crashes, deaths and injuries.

Contribution to Goal Performance

Impaired driving is one of the leading causes of traffic crashes and fatalities. It is critical that NHTSA determine the effectiveness of this comprehensive program designed to reduce alcohol-related crashes and thus improve highway safety. If shown effective, this program will serve as a model for other States.

Methodology

The evaluation will document all aspects of this comprehensive program and determine its effectiveness in reducing alcohol-related crashes, deaths and injuries. The evaluation will also examine the impact of a task force composed of the State Police, Driver Licensing Agency, Prosecutors, Courts, Medical Examiners, Probation on generating a comprehensive impaired-driving program. The study will review:

- Measures of law enforcement activity (arrests, blood alcohol content statistics, number of enforcement checkpoints/patrols) at sites with increased enforcement during the program,
- Media activity (focusing on impaired driving and enforcement activity),
- Pre/post measures of public attitudes toward impaired driving and awareness of the enforcement activity, and
- Analysis of trends in alcohol-related crashes.

Findings

Findings will become available in FY2011.

Recommendations

Recommendations will become available in FY2011.

Planned Actions

Data collection is currently underway. A report on the results of the evaluation will be completed in FY 2011.

Operating Administration	National Highway Traffic Safety Administration (NHTSA)
Program	Vehicle Safety: Research and Analysis
Partners	None
Name of Study	Effectiveness of Tire Pressure Monitoring Systems (TPMS) on Tire Pressure
Listed in DOT	No
Reason for addition	Scheduled program evaluations were completed in previous fiscal years.
Status	Initiated
Type	Cost-Benefit/Cost-Effectiveness
Source	Internal
Link	NA

Purpose

In accordance with Executive Order 12866, *Regulatory Planning and Review*, NHTSA routinely evaluates each of its major existing regulations and programs, and measures their effectiveness. NHTSA's Evaluation Program Plan 2008-2012 catalogues these evaluations. Federal Motor Vehicle Safety Standard (FMVSS) No. 138 requires tire pressure monitoring systems (TPMS) on passenger vehicles, which is technology that will add to the cost of new vehicles. TPMS, however, has the potential for significant benefits by reducing crashes attributable to under-inflated tires.

NHTSA initiated the evaluation of the effectiveness of tire pressure monitoring systems—on 10/1/2008. The agency will use statistical analysis to complete this program evaluation by 9/30/2011.

Contribution to Goal Performance

Passenger vehicles include cars, light trucks, and vans. In a survey conducted before FMVSS No. 138 became effective, 26 percent of cars and 29 percent of light trucks and vans on the road had at least one tire more than 25 percent below the pressure recommended for that vehicle. Under-inflation creates safety risks associated with thousands of injuries and over 100 fatalities per year, reduces fuel economy, and shortens a tire's life. The evaluation will determine the extent to which tire pressure monitoring systems reduce under-inflation, save lives, prevent injuries, and increase fuel economy.

Methodology

NHTSA will conduct a survey of tire pressures in cars and light trucks at a nationally representative sample of gas stations. When a driver purchasing fuel agrees to participate in the survey, engineers will record the pressure in each tire and identify the make, model, and model year of the vehicle. The proportion of vehicles equipped with tire pressure monitoring systems with at least one tire 25 percent or more below the recommended pressure will be compared to the corresponding proportion in vehicles of similar age and market class without the monitoring system. The under-inflation rate with the system will be compared to the baseline rate without the system. The survey will also gather information on how and when drivers are using information from the monitoring system to keep their tires properly inflated.

Findings

Findings will be available in 2011.

Recommendations

Recommendations will be available in 2011.

Planned Actions

NHTSA will consider subsequent actions, if any, when findings are available.

Operating Administration	Pipeline and Hazardous Materials Safety Administration
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Program	Hazardous Materials Safety and Pipeline Safety
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Partners	Federal Aviation Administration, Federal Motor Carrier Safety Administration, Federal Railroad Administration, U.S. Coast Guard
Name of Study	Evaluation of PHMSA's Enforcement Programs
Listed in DOT Plan	Yes
Status	Completed
Type	Process Evaluation
Source	Internal
Link	None

Purpose

This evaluation reviewed current enforcement practices and identify ways to improve the effectiveness and efficiency of PHMSA's enforcement program.

Contribution to Goal Performance

Enforcement is an important tool for achieving compliance with safety regulations, and compliance is an important element in our overall strategy for reducing deaths and serious injuries from pipeline and hazardous materials incidents.

Methodology

Objectives and issues were identified in a strategic planning workshop, after which a task force evaluated issues and ideas from the program offices, regions, and counsel—all of the organizational elements involved in the enforcement process.

Findings

There is a need for greater consistency, more investment up-front in the process, greater transparency and trust in the process, and better linkage to safety performance.

Recommendations

The task force provided recommendations in 14 areas, including guiding principles for enforcement, decision making authority, settlement procedures, analytical support, civil penalty criteria, interagency efforts, process control, electronic documents, human resource flexibility, annual reporting, training, a repository for documents, program logic modeling, and pipeline safety enforcement procedures.

Planned Actions

PHMSA will develop and implement enforcement policy and a delegation order that clarifies roles and responsibilities, increases transparency, and accelerates the process. A preliminary report is due to agency leadership December 1, 2009; action plans will go to the Administrator of the Pipelines and Hazardous Materials Safety Administration for approval by December 20, 2009; followed by implementation.

Operating Administration	Pipeline and Hazardous Materials Safety Administration
Program	Hazardous Materials Safety
Partners	Federal Aviation Administration, Federal Motor Carrier Safety Administration, Federal Railroad Administration, U.S. Coast Guard
Name of Study	Evaluation of the Hazardous Materials Emergency Preparedness (HMEP) Grants Program
Listed in DOT Plan	Yes
Reason for replacement or addition	Listed as "Evaluation of Readiness Among Emergency Responders"
Status	Completed
Type	Process Evaluation
Source	Internal
Link	None

Purpose

This evaluation identified major weaknesses in program design or execution that may limit its effectiveness. The evaluation also measured the adequacy of internal controls used to administer funding, and provided a baseline for program improvement.

Contribution to Goal Performance

The HMEP grants program is an important source of funding for emergency response planning and training. The Pipeline and Hazardous Materials Safety Administration (PHMSA) depends on the grant program as a component of its national strategy for reducing deaths and injuries from hazmat incidents. The primary strategy for hazmat safety is prevention, but where the agency cannot prevent an incident, it aims to *reduce the consequences*.

Methodology

The evaluation included a review of laws, legislative history, regulations, external guidance, program policy, public information about the program, past reviews and findings, process flowcharts, program funding, grant agreements, and limited information from State grantees. It also included interviews with individuals within DOT involved with program administration. With this information, the evaluation traced the program logic—from inputs through activities, to outcomes and impacts—and traced the flow of requirements from legislation through regulations to policy and implementation. Both of the approaches helped identify gaps, weaknesses and opportunities that might be addressed to improve the program.

Findings

The evaluation provided over 75 findings and 12 major conclusions.

1. *There are some significant warning indicators about program effectiveness/efficiency that need to be explored and better understood.*
2. *The funding allocation formula generally targets risk, but does not address additional needs, such as the strength of grantees' plans, the history of grantee performance, or agency priorities.*
3. *PHMSA is not incorporating applicants' plans into the grant agreements, so they become superfluous in evaluating whether costs are reasonable when grantees request reimbursement.*
4. *PHMSA is generally disbursing grant funds as advances rather than reimbursements (the "preferred" approach).*
5. *PHMSA requests considerable information from grantees that it does not use.*
6. *PHMSA has almost no monitoring or evaluation function to regularly evaluate and improve the program.*
7. *PHMSA generally lacks a framework for internal controls.*
8. *PHMSA is missing some basic program internal controls that should be addressed.*

9. *PHMSA disallows expenses that are technically allowable.*
10. *Many of the key processes are too cumbersome on grantees.*
11. *Hazardous Materials Emergency Preparedness Grants Program is not organized optimally given the size/scope of the grants program and the diversity of stakeholder interests, and it probably does not have adequate resources (especially people and IT) to run the program effectively.*
12. *In general, the way the program works is not reflected in how it is documented.*

Recommendations

This evaluation suggests that PHMSA needs to restructure the program—to better target needs, provide reasonable management and internal controls, and put in place the organization, processes, and resources needed to sustain a continually-improving program. This evaluation recommends steps to correct the funds certification process, reconciliation of program funding with the accounting system, limiting changes to policy guidance until the agency can get more broad stakeholder input. The evaluation also recommends developing FAQs on allowable expense, development of a remediation plan to address internal control deficiencies, and follow on evaluation to examine each of the steps in the program processes more closely.

Planned Actions

All of the recommended actions have been initiated. Frequently Asked Questions and changes in the funds certification process have been completed and additional program changes will be developed and implemented through FY 2010.

Operating Administration	Pipeline and Hazardous Materials Safety Administration
Program	Pipeline Safety
Partners	State Pipeline Safety programs
Name of Study	Evaluation of the State Pipeline Safety Grants program
Listed in DOT Plan	Yes
Status	Deferred
Type	Process Evaluation

Source	Internal
Link	None
Operating Administration	Federal Railroad Administration
Program	Research & Development
Partners	N/A
Name of Study	Annual Review and Evaluation of FRA's Research & Development Program
Listed in DOT Plan	Yes
Status	Completed
Type	Process
Source	External: Transportation Research Board
Link	NA

Purpose

The Transportation Research Board's (TRB) Committee for Review of the Federal Railroad Administration Research and Development (R&D) Program conducts an annual review and evaluation on the program management structure and approach, allocation of resources among program areas, outreach to the program's customers and stakeholders, project selection criteria and project management.

Contribution to Goal Performance

FRA's Office of Research and Development partners with other program offices in developing the interests of freight and passenger rail while balancing safety, policy, and R&D issues. This research and advancement determines ways to keep the Nation's rail networks safe in accordance with the DOT safety strategic goal.

Methodology

The TRB conducts its evaluation on the above facets of the Federal Railroad Administration (FRA) Research and Development (R&D) Program through a peer review process.

This process includes an interactive request for data and off-site meetings, and workshops which are used to determine FRA's R&D priority research area needs.

Findings

The Committee found that FRA responds quickly and responsibly and demonstrates flexibility managing the intersection of freight and passenger rail interests while balancing safety, policy, and R&D issues. The Committee believes that the results of R&D projects will be critical to the successful implementation of new technologies for large-scale investments in Positive Train Control and high-speed rail. The Committee also noted that the R&D Office faces challenges hiring staff in engineering and transportation disciplines and obtaining additional funding so it can address areas of Administration focus. The Committee expressed that FRA need to develop a new 5-year strategic R&D plan.

Recommendations

The Committee offered five recommendations:

1. The Office of R&D should focus on the role of R&D initiatives and results in large-scale programs, such as PTC and high-speed rail.
2. FRA should help build the case for Nationwide Differential GPS (NDGPS) funding by linking the needs to big projects such as PTC and rail right-of-way mapping, and it should urge the Department to develop and operate NDGPS.
3. FRA and the Department of Energy should have better coordination on rail-related research.
4. FRA should continue to work on design standards that can reduce accidental hazmat releases for the next-generation tank car.
5. The Committee encourages FRA to pursue its initiative for improving the accuracy and usefulness of rail traffic forecasts.

Planned Actions

FRA is developing a new strategic plan and will use the Committee's recommendations as a roadmap for its future activities. In addition, FRA is working through the other issues raised by this evaluation.

Operating Administration	Federal Railroad Administration
Program	Railroad Safety
Partners	None

Name of Study “Enhancing the FRA’s Oversight of Track Safety Inspections”

Listed in DOT Plan Yes

Status Completed

Type Process

Source External: OIG

Link NA

Purpose

As part of its regularly scheduled review of programs in the Department, the OIG performed an audit to evaluate FRA’s oversight of track-related safety issues.

Contribution to Goal Performance

FRA’s mission is safety-driven which directly aligns to the DOT strategic goal of safety. Monitoring and reducing track-related incidents and accidents enables FRA to enhance the overall safety of the Nation’s freight rail lines.

Methodology

The Office of the Inspector General (OIG) took a two-step approach in this track safety evaluation. The OIG began its evaluation by interviewing officials from FRA, Class I (large freight), and non-Class I (smaller) railroads, and railroad associations, on track safety regulations, freight railroad inspection policies and procedures, and track safety issues. Second, the OIG visited four Class I railroads and analyzed a random sample of track inspection reports to assess the frequency and type of inspection, the results of the inspection, and the remedial actions taken.

Findings

The OIG found that FRA has taken many steps to improve its track safety oversight program by expanding inspection activities and implementing new initiatives. In its analysis of FRA’s track inspection data reported from 2004 to 2007, the OIG found that FRA inspectors had conducted 62,529 inspections, identified 410,441 defects, and recommended 6,629 of these defects for violations. However, the OIG found two areas of improvement for FRA to enhance its oversight of the railroads’ track safety inspections.

Recommendations

OIG recommended that FRA: 1) revise its track safety regulations for internal rail flaw testing to require railroads to report all track locations (milepost numbers or track miles)

covered during internal rail flaw testing and 2) revise its Track Safety Compliance Manual and inspection data system.

Planned Actions

FRA's Railroad Safety Advisory Committee's has an active Rail Integrity Task Force. FRA is in discussion with the National Transportation Safety Board, rail carriers, organized labor, and railroad contractors to address the issue of internal rail flaw detection. One of the areas the Task Force is examining is the FRA-mandated reporting process. FRA's Office of Railroad Safety agreed that it is vital to require railroads to maintain records to which FRA has access on demand during oversight on the property. That process should be added through the Railroad Safety Advisory Committee process. The process is ongoing and the timeframe for changing the regulation is uncertain.

FRA agreed that including another inspection activity code for track inspections was helpful in tracking the number of rail inspection reports FRA inspects. With the addition of the Rail Integrity Group within the Office of Railroad Safety, FRA has added two more activity codes to be used specifically by that group. The Rail Integrity Group is now using codes for inspecting flaw detection processes and auditing and inspection vehicles. In February 2009, FRA issued a new activity code for rail inspection records that was distributed to track inspectors and specialists with instructions on how and when to use the code.

Operating Administration	Federal Motor Carrier Safety Administration (FMCSA)
Program	Enforcement of Compliance Operations
Partners	State partners providing quantitative and qualitative support
Name of Study	Quality Assurance Review of the Field Enforcement Processes at the FMCSA Headquarters and Service Centers.
Listed in DOT Plan	No. The "Quality Assurance Review of the Field Enforcement Processes at the FMCSA Headquarters and Service Centers" replaced the "New Entrant Safety Audit" program evaluation because GAO performed a comprehensive audit identifying opportunities to improve prior to the planned start date. FMCSA responded with a comprehensive rule change. The impact of the New Entrant Safety Assurance Program rule will be measured annually.

Status Complete but pending approval prior to release

Type Process

Source External: Oak Ridge National Laboratory

Link None

Purpose

The purpose of the “Quality Assurance Review of the Field Enforcement Processes at the FMCSA Headquarters and Service Centers” was to determine the adequacy, consistency, objectivity, efficiency, effectiveness and integrity of the FMCSA field enforcement case process as performed by FMCSA field offices. The review also attempted to identify any program or process improvements/best practices which might yield operational efficiencies or improved effectiveness in changing unsafe behavior of carriers to ultimately reduce crashes, injuries, and fatalities.

Contribution to Goal Performance

The evaluation supports the Department’s Safety Strategic goal of “Enhancing public health and safety by working toward the elimination of transportation-related deaths and injuries” by ensuring the current process for evaluating the safety-related behavior of a commercial motor vehicle carrier or driver is carried out in a consistent, effective, and equitable manner.

Methodology

The analysis assessed the current enforcement process by conducting site visits and surveying process stakeholders at various levels within FMCSA. The analysis included a mapping of the process, and paid special attention to certain sub-processes such as the issuance of a civil penalty (Notice of Claim) and the process for determining the safety fitness of a carrier. The analysis also assessed the adequacy of enforcement record keeping and the adjudication process.

Findings

1. Carriers that the FMCSA has put out of business sometimes return under a different name, but with the same staff and the same inadequate safety practices.
2. Multiple passwords and lack of system integration are cited as a source of frustration for Field enforcement staff trying to use agency data systems.
3. Some Field staff have trouble carving out the time necessary for training classes, especially when it involves travel and multiple day commitments.

Recommendations

1. Change the issuance of a US DOT Number or changes in the policies on identifying a reincarnated carrier could help FMCSA with motor carrier compliance. The US DOT Number serves as a unique identifier when collecting and monitoring a company's safety information acquired during audits, compliance reviews, crash investigations, and inspections. As more States become Performance and Registration Information Systems Management (PRISM) States, consider innovative practices to identify reincarnated carriers.
2. Integrate software with a single password to lessen the burden to memorize multiple passwords for various systems.
3. Offer in-class and web-based training to staff as a way to maintain and build enforcement competencies.

Planned and Completed Actions:

1. FMCSA continues to work very closely with state partners to expand the implementation of the Performance and Registration Information System Management (PRISM). As of the end of FY 2009, 46 of the 47 PRISM Grant eligible states have received PRISM Grants. In August 2008, the Agency put in place a process by which FMCSA and state partners scrutinize passenger carrier requests for new operating authority using a New Applicant Screening (NAS) process which includes an Evasion Detection Algorithm (EDA). The New Applicant Screening Process identifies carriers that may be attempting to reincarnate themselves by comparing critical data on new applicants for operating authority with data in FMCSA's safety and registration records for other companies. Each application identified through the use of the EDA receives a follow-up investigation. The agency is engaged in longer term planning to eventually find ways to apply this process to all carriers applying for authority to operate.
2. FMCSA, through the COMPASS initiative has introduced a single sign-on for multiple information systems. Also, the agency is implementing new training modules for both field and headquarters staff through web-based and in-service training as new systems are implemented.
3. FMCSA is implementing both web-based and in-service training. Additionally, the agency has recently opened a new, more centrally located training facility in Austin, TX.

Reduced Congestion

Operating Administration	Federal Transit Administration
Program	Contracted Paratransit Pilot Program
Partners	None
Name of Study	Report on the Contracted Paratransit Pilot Program
Listed in DOT Plan	Yes
Status	Complete but Pending Approval Prior to Release
Type	Outcome
Source	Internal
Link	N/A

Purpose

The purpose of the report is to respond to the congressional direction in the Safe, Accountable, Flexible, and Efficient Transportation Equity Act: A legacy for Users (P.L. 109-59) which required the Secretary to submit a report to Congress on the implementation of the Contracted Paratransit Pilot Program.

Contribution to Goal Performance

The Contracted Paratransit Pilot Program contributes to the Reduced Congestion strategic goal and the ridership performance goals by allowing small-and mid-sized transit operators the ability to leverage Federal funds towards paratransit operating needs, including complementary paratransit services for individuals with disabilities who cannot use the fixed-route services.

Methodology

The Tulsa Metropolitan Transit Authority was the sole participant in the pilot program. Data obtained from the National Transit Database (NTD) and FTA's Transportation Electronic Awards Management (TEAM) system was used to complete the assessment.

Findings

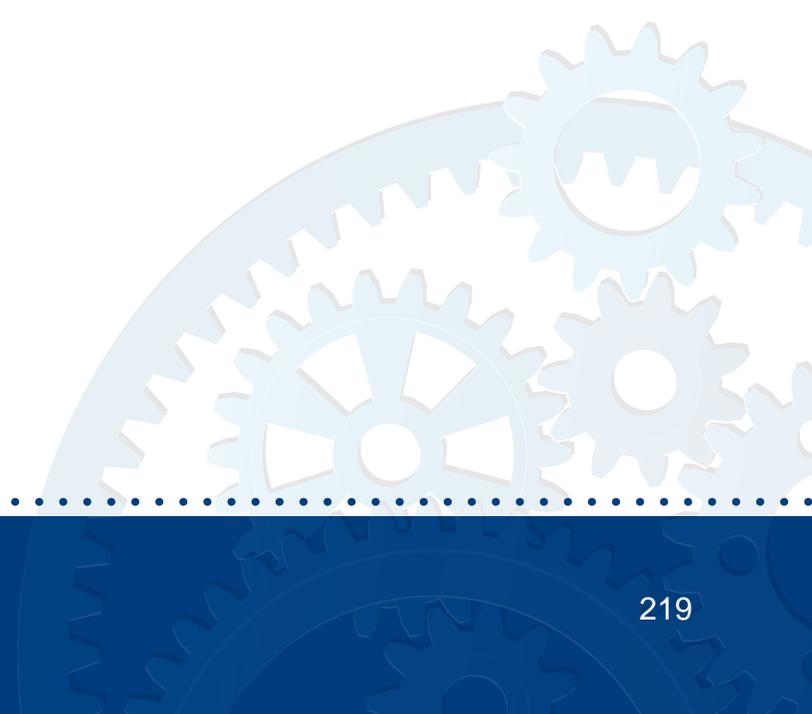
The report is currently being reviewed.

Recommendations

The report is currently being reviewed.

Planned Actions

To be determined.



Global Connectivity

Operating Administration	Saint Lawrence Seaway Development Corporation (SLSDC)
Program	Operations and Maintenance
Partners	None
Name of Study	International Standards Organization (ISO) Certification Renewal
Listed in DOT Plan	No
Status	Complete (Conducted Annually)
Type	Compliance
Source	External
Link	NA

Purpose

Each year, the SLSDC’s operations and maintenance business processes are audited for compliance under the ISO 9001:2000 standard. The focus of the ISO 9001:2000 standard is on self assessment, ongoing improvements, and performance metrics. The ISO recognition is only conferred on those service firms and organizations that meet the highest quality customer service and management standards set by the Geneva, Switzerland-based ISO. The SLSDC began the process of certifying its business processes in 1998 and has been audited by (LQRA) annually for compliance.

Contribution to Goal Performance

Maintaining the ISO certification has kept U.S. Seaway officials focused on finding better ways of operating the St. Lawrence Seaway and recognizing how agency initiatives and decisions affect customers, both internally and externally. Other benefits of the ISO certification include improved communications within the organization, redefined business processes that are clearly understood by employees, and integrated performance measurements and objectives with the agency’s mission. SLSDC management reviews the agency’s quality system annually to ensure its continued suitability, adequacy, and effectiveness.

Methodology

As part of its annual surveillance, LQRA audits the following ISO elements for compliance: document control; quality policy; organizational changes; training; corrective actions; management review; internal audit plan; and use of LRQA logo on letterhead and documents. Seaway business areas covered by ISO include: lock operations; ship inspections; vessel investigations; vessel traffic services; aids to navigation program; channel maintenance; lock maintenance; management information systems; administration; and IT services.

Findings

In June 2009, LQRA completed its annual surveillance audit of the SLSDC quality management system for ISO recertification. All elements of ISO 9001:2000 standard were applied within the scope the audit. The SLSDC quality system was found to be mature with no areas of weakness identified and, accordingly, it was recommended that certification approval continue uninterrupted. The certificate renewal date is June 30, 2010, at which time it will be audited for certification under the new ISO 9001:2008 standard and requirements. Effective November 14, 2009, the SLSDC will be required to adhere to the ISO 9001:2008 standard.

Recommendations

Although no weaknesses were identified in the SLSDC quality system, Lloyd's did highlight three areas for attention where improvement could be realized. Those were:

1. Indicating the condition status of fire extinguishers on their maintenance record labels aboard SLSDC tugs.
2. Continuing agency implementation of the BIGFOOT computerized maintenance management system as well as incorporating historical data, if feasible.
3. Including maintenance or repairs completed as a result of a breakdown or failure into the BIGFOOT system, as well as buoy-related data to ensure that maintenance history is preserved for future planning purposes.

Planned Actions

Related to the weaknesses highlighted, the SLSDC has taken various steps to remediate the three areas. For example, the agency has reinitiated the Occupational Safety and Health Administration's monthly assessment program for each department to inspect fire extinguishers and ensure first aid supplies are readily available as needed. Monthly information is documented by each division, making the necessary improvements at the time of inspection. Documentation is forwarded to the SLSDC Safety and Occupational Health Manager for review, retention, and reporting requirements. In terms of the BIGFOOT maintenance management system, the SLSDC has completed the migration of obtainable historical data and has developed new internal procedures to enter emergency repairs into the system.

Environmental Stewardship

Operating Administration	Maritime Administration
Program	Ship Disposal
Partners	None
Name of Study	Ship Disposal
Listed in DOT Plan	Yes
Reason for replacement or addition	This evaluation was deferred, as all available FY 2009 program evaluation funding was allocated to conduct a high quality, independent Maritime Security Program evaluation in FY 2009. The Ship Disposal program evaluation is deferred, pending availability of funds, and review of Maritime Administration program evaluation priorities to ensure full support of the pending, new DOT Strategic Plan for 2010-2015.
Status	Deferred
Type	Process
Source	External Source: Independent auditor
Link	NA

Security

Operating Administration	Maritime Administration
Program	Maritime Security Program
Partners	None
Name of Study	Maritime Security Program Impact Evaluation
Listed in DOT Plan	Yes
Status	Complete
Type	Impact
Source	External: Econometrica, Inc.
Link	www.marad.dot.gov/documents/MSP_Revised_Final_Report_Transmitted_07-24-09.pdf

Purpose

The evaluation was a routine periodic review of the Maritime Security Program (MSP). The purpose of the evaluation was to determine the program's effectiveness and its impact on the U.S. flag fleet, U.S. crew members, and its military usefulness.

Contribution to Goal Performance

The evaluation assessed the impact of the MSP in supporting DOT's strategic goal for Security, Preparedness and Response. To measure the influence the program has on meeting the Department's goal, the contractor, Econometrica, analyzed existing quantitative data to estimate the program's impact on:

- U.S. flag shipping presence in international commercial waters;
- number, types, and capacities of U.S. flag oceangoing ships available for military use; and
- Number of U.S. crewmembers available to serve on such ships.

Methodology

The evaluator reviewed past research and quantitative data and interviewed experts from the military community, the maritime industry and academia who were familiar with Department of Defense (DOD) sealift requirements or maritime policy.

Findings

There were several findings from this evaluation:

1. Resources allocated to the program appear to be adequate to manage and coordinate the program activities.
2. In the expansion of the 2005 MSP and in the selection of replacement vessels, MARAD has adhered to statutory and regulatory requirements.
3. The program has established effective linkages with representatives of the Department of Defense resulting in increased effectiveness in addressing emerging DOD mobility requirements.
4. Commercial carriers and the DOD community gave positive feedback regarding effectiveness, communication, and responsiveness of MARAD's MSP staff.
5. There are no significant problems in the operation of the MSP.

Recommendations

The evaluator made several recommendations for improving the program:

1. Staffing - One or two additional full-time equivalent staff positions should be filled to support program management.
2. Data Availability—MARAD should work towards interagency cooperation to reduce or alleviate data limitations.
3. Competitive Pricing – MARAD could consider alternative selection procedures, such as selecting ships to fill MSP slots through the competitive bidding process.
4. Maritime Policy— MARAD should consider a broader view of maritime policy to address the long-term decline of the U.S. flag fleet.

Planned Actions

1. Staffing – MARAD's MSP is reviewing its current staffing.
2. Data Availability – MARAD will continue to work with its government partners on data availability.
3. Competitive Pricing - MARAD, like the study team, does not believe this action is appropriate under the current MSP or the future MSP. The MSP helps to offset the highly volatile nature of the industry and ensures that DOD has a steady and

reliable base of ships in which it can call upon when needed. Note that planning for the next MSP is still several years away.

4. Maritime Policy – MARAD agrees with the recommendation that there should be a broader view of US maritime policy. Despite the difficulties in getting the various segments of the maritime industry to come to consensus on a defined US maritime policy, MARAD will continue in its efforts to ensure that the US has a strong, competitive and viable maritime industry which supports the US economy and national security goals.

Organizational Excellence

Operating Administration	Federal Aviation Administration
Program	Acquisition Management System
Partners	There are no partners external to FAA for this evaluation.
Name of Study	Independent Assessment of FAA's Acquisition Management System (AMS)
Listed in DOT Plan	No
Reason for replacement or addition	This independent assessment was determined to be a more informative evaluation for the agency than the scheduled DOT Strategic Plan evaluation.
Status	Complete with actions initiated
Type	Outcome
Source	External: PriceWaterhouseCoopers
Link	http://atoexperience.faa.gov/acqbus/index.php?option=com_content&task=view&id=332

Purpose

The FAA's Acquisition Management System (AMS) defines lifecycle management policy, activities, and roles to plan, select, implement, and manage FAA's equipment, systems, facilities and services.

The purpose of an independent assessment of AMS was to:

- Analyze the efficiency and effectiveness of AMS policy and guidance
- Understand the current state of AMS lifecycle phases, with emphasis on investment analysis and procurement processes
- Compare AMS against other acquisition systems, industry leading practices, and trends

- Understand to what extent AMS addresses past GAO and IG concerns and recommendations
- Develop findings and recommendations for future improvements to AMS

Contribution to Goal Performance

This evaluation contributed to achieving two of FAA's FY 2009 performance targets:

- In FY 2009, 90 percent of Major System Investments are within 10 percent variance of current baseline total budget estimate at completion (BAC).
- In FY 2009, 90 percent of select Major System Investment annual milestones are achieved.

Because the AMS provides the framework for all major system investments, this evaluation served to identify critical improvements for managing major system acquisitions.

Methodology

The assessment involved analyzing data collected through source documentation, interviews, focus groups, external research, and surveys. Data was collected from over 80 AMS stakeholders involved in AMS lifecycle. Input from FAA's contractors was also key to assessing the effectiveness of AMS procurement processes.

Findings

The findings from the assessment indicate that although AMS is conceptually sound, FAA often does not take full advantage of the opportunities provided by the AMS framework. Given the level, frequency, and scope of change at FAA over the past several years, AMS governance, processes, systems, roles, responsibilities, and performance metrics must continue to adapt. Selected findings with the greatest impact on implementation of AMS included:

- AMS was designed to manage the lifecycle of large, complex major systems acquisitions and may not appropriately accommodate other investments.
- The established FAA governance structure is appropriate but there appears to be an inadequate use of subordinate investment review boards.
- FAA has not clearly defined the roles and responsibilities of the offices reviewing the investment analyses.
- AMS policy does not accurately reflect subordinate policies.
- Service organizations may not have the requisite skills or resources needed to perform investment analysis responsibilities within AMS.
- Contracting process time is perceived as being too long and not proportionate to the size of the procurement.

Recommendations

Within the major themes were three recommendations with a potential for high impact that require further analysis:

- Institute acquisition categories defining a specific path and review authorities based on specific program criteria.
- Assess the investment selection review processes and identify an approach to streamline the process.
- Establish processes to support development of AMS process schedules for capital investments.

Planned Actions

In late 2009, FAA began implementing one high impact recommendation to establish acquisition categories. This recommendation will streamline decision-making and documentation required for FAA's investment selection.

Also in 2009, FAA also began work to implement another high impact recommendation to streamline the investment selection process. Streamlined investment analysis processes and reviews are expected to improve the time and effort to transition proposed investments from concept and requirements definition to detailed business case analysis.

FAA plans to complete these activities early in Fiscal Year 2010.

Operating Administration	Federal Motor Carrier Safety Administration (FMCSA)
Program	Information Technology Security Program Evaluation
Partners	Volpe, North Dakota State University, Upper Great Plains Transportation Institute
Name of Study	Information Technology (IT) Security Program Evaluation
Listed in DOT Plan	Yes
Status	Complete, but pending approval prior to release
Type	Outcome

Source External: The Dalton Gang (TDG)

Link None

Purpose

The purpose of this evaluation is to provide a systematic assessment of the contribution, value, and impact of FMCSA's information technology security program.

Contribution to Goal Performance

The evaluation addresses the Organizational Excellence Goal by reviewing and evaluating key policies, procedures and configuration management of the Agency's IT systems. In addition, the review addresses Safety by evaluating the IT systems that link all of the Agency's safety data together. By finding vulnerable areas and making recommendations to strengthen these weaknesses, both our IT systems and the data processes will be enhanced.

Methodology

The independent evaluator used a standard government-wide tool, called the Program Review for Information Security Management Assistance (PRISMA), which assesses information technology security methodology. The tool is the industry standard and was developed by the National Institute for Standards and Technology (NIST). The evaluation not only assessed compliance with the PRISMA standards, but also researched best practices from highly performing entities. The independent evaluator conducted documentation reviews, onsite visits, and interviews with FMCSA headquarters and field personnel, Volpe National Transportation Systems Center, Science Applications International Corporation, and the North Dakota State University, Upper Great Plains Transportation Institute.

Findings

The evaluation discovered that FMCSA security policies and procedures documents were in some cases out of date, absent entirely, or non compliant with Homeland Security Presidential Directive (HSPD)-12 and Office of Management and Budget (OMB) implementation mandates. This deficiency could pose risks to confidentiality of highly sensitive motor carrier industry and Agency information.

The evaluation found that FMCSA had several potential security vulnerabilities, including a lack of an FMCSA designated privacy officer, deficient secure space and storage, and a lack of effective and reliable employee access control processes and procedures. These all pose a risk to privacy, integrity and confidentiality of systems and data.

Recommendations

The evaluation made several key recommendations and the report suggested that FMCSA:

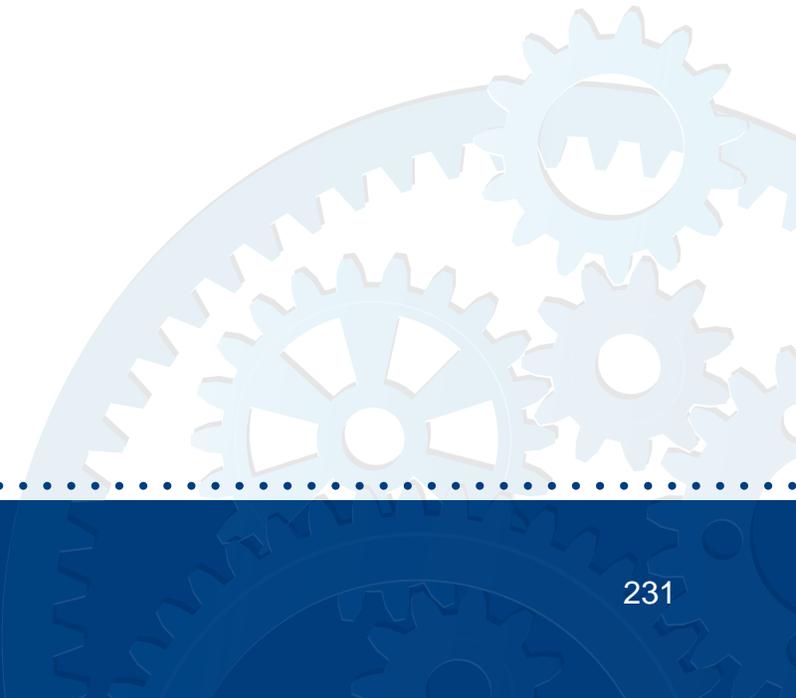
- Make the establishment and continued maintenance of comprehensive, actionable security policies and procedures a high priority.
- Ensure these documents are created, reviewed, signed, and periodically updated in a timely manner.
- Train management, operators and technicians on the essentials of these policies and procedures.
- Track all related activities to closure, and ensure complete management reporting on work in progress throughout this remedial process.
- Employ technical security and IT support “tiger teams” to periodically conduct internal assessments.
- Assign a privacy officer, develop and publish personnel security and privacy policies, and develop any other required operational procedures.
- Acquire secure facilities and systems for processing, printing, storing and communicating sensitive employee privacy information and streamlining background check operations in order to comply with OMB, NIST and HSPD-12 privacy, security and access control regulations.

Planned Actions

The Agency has developed and is already implementing an action plan that addresses all of the recommendations. FMCSA will comply with all recommendations that correspond to the PRISMA methodology.

Operating Administration	Research and Innovative Technology Administration
Program	University Transportation Center Program (UTC)
Partners	Modal Administration Subject Matter Experts
Name of Study	University Technology Center
Listed in DOT Plan	Yes

Status	Canceled
Type	Outcome
Source	External
Link	NA



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Financial Report



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**OFFICE OF INSPECTOR GENERAL
QUALITY CONTROL REVIEW**

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U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Memorandum

Subject: **ACTION:** Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2009 and 2008, DOT Report Number: QC-2010-011 Date: November 16, 2009

From: Calvin L. Scovel III  Inspector General Reply to Attn. of: JA-20

To: The Secretary

I respectfully submit the Office of Inspector General's (OIG) Quality Control Review report on the Department of Transportation's (DOT) audited Consolidated Financial Statements for Fiscal Years (FY) 2009 and 2008.

The audit of DOT's Consolidated Financial Statements as of and for the year ended September 30, 2009, was completed by Clifton Gunderson LLP, of Calverton, Maryland (see Attachment), under contract to OIG. We performed a quality control review of the audit work to ensure that it complied with applicable standards. These standards include the Chief Financial Officers Act, as amended; Generally Accepted Government Auditing Standards; and Office of Management and Budget (OMB) Bulletin 07-04, "Audit Requirements for Federal Financial Statements," as amended.

Clifton Gunderson concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the U.S. Department of Transportation as of September 30, 2009, and its net costs, changes in net position, and budgetary resources, for the year then ended, in conformity with accounting principles generally accepted in the United States. KPMG LLP, of Washington, D.C., under contract to OIG, audited last year's DOT Consolidated Financial Statements and also expressed an unqualified opinion on those statements.¹

¹ Quality Control Review of Audited Consolidated Financial Statements for Fiscal Years 2008 and 2007, Department of Transportation, Report Number QC-2009-009, November 14, 2008. OIG reports and testimony can be found on our Web site at: www.oig.dot.gov.



We congratulate DOT for obtaining clean audit opinions with no material weaknesses for the last 2 years. Your senior leadership team, including the Chief Financial Officer and Modal Administrators, should be commended for its commitment to improving financial management. DOT continued its assessment of internal controls over financial reporting (to comply with OMB Circular 123, Appendix A requirements) and expanded this year's assessment to include the additional controls established in the Operating Administrations that received American Recovery and Reinvestment Act (ARRA) funds. DOT also expanded its review and analysis of financial statement fluctuations, reconciliations between proprietary and budgetary account balances, and testing for improper payments for its four major grants programs—a key control to ensure accountability and transparency for use of Federal funds. While recognizing these improvements, DOT still faces key financial management challenges that require its attention.

Effectively Managing Highway Trust Fund Resources

The Highway Trust Fund (HTF)—primarily funded by motor fuel excise tax revenues—is the primary source for financing highway and mass transit projects. To remain solvent, the HTF required \$15 billion in cash infusions from the general fund for the past 2 years (FYs 2008 and 2009). While DOT awaits decisions on future funding, it also needs to ensure effective use of available funds. Yet DOT continues to experience difficulties in releasing (de-obligating) funds that were no longer needed from completed or cancelled projects. Last year, we reported about \$300 million of unneeded obligations. This year, Clifton Gunderson reported that about \$800 million of obligations were no longer needed and should have been released for other use.² In today's budget environment in which highway investment needs exceed available resources, allowing unneeded obligations to sit idle leaves fewer funds available for expanding and preserving the National Highway System infrastructure. DOT needs to closely monitor use of available resources to help maintain the solvency of the HTF and provide the maximum benefit to the economy and the public.

Strengthening Financial Management Oversight and Correcting Anti-deficiency Violations by the Maritime Administration

During this year's audit, Clifton Gunderson reported a significant deficiency in the Maritime Administration's (MARAD) financial management oversight due to erroneous recording of the values of eight ships transferred from the Navy, errors in calculating MARAD's environmental liability, and inaccurate accounting for

² As of September 30, 2009, DOT reported a total of almost \$102 billion in outstanding obligations, most of which were associated with HTF obligations.

MARAD ships not in use. DOT needs to work closely with MARAD to ensure these deficiencies are corrected.

Violations of the Anti-deficiency Act were also reported for the U.S. Merchant Marine Academy. Specifically, in March 2009, DOT reported Anti-deficiency Act violations to the President—violations that were initially identified in FY 2007 and totaled as much as \$20 million. In August 2009, the Government Accountability Office reported numerous instances of improper and questionable sources and uses of funds by the Academy, including other potential Anti-deficiency Act violations, and made 47 recommendations to improve financial management controls at the Academy. During FY 2010, MARAD needs to determine whether any other Anti-deficiency Act violations exist at the Academy and report confirmed violations. MARAD also needs to continue to correct financial management controls at the Academy.

Improving Financial Reporting and Accounting Controls

Several deficiencies reported by Clifton Gunderson this year were also reported as internal control deficiencies in prior years. First, Clifton Gunderson has noted an over-reliance on the use of journal entries to get the financial statement numbers right. While the use of journal entries is necessary for recording non-routine transactions, such as the accrual of liability estimates, many journal entries could have been avoided by processing normal financial transactions through the Delphi accounting system. During FY 2009, DOT recorded more than 9,000 journal entries with an absolute value of \$685 billion. Second, several deficiencies in the Federal Aviation Administration's (FAA) accounting and reporting of Property, Plant, and Equipment remain uncorrected, despite improvements made in FY 2009. For example, properties are still not capitalized in, or retired from, accounting records in a timely manner. Finally, the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) continue to experience difficulties in developing reliable estimates for yearend grant accruals—expenditures incurred but not paid. The actual expenditures exceeded the estimate by more than \$600 million in one case. DOT needs to continue strengthening financial controls in these areas to ensure that reliable financial information is available for decision-making.

Disclosing Transportation Investments

During the past 5 years, DOT has invested more than \$239 billion in surface and air transportation projects nationwide. These investments include projects related to the National Highway and Interstate Systems, state and local transit and rail systems, and airport planning and development at public use airports. DOT also provided other forms of financial assistance such as loan guarantees for shipping

companies. Some investments have resulted in special financial interests. For example, in October 2009, DOT disclosed that the Federal Railroad Administration has owned all preferred stock and a major portion of the equities in Amtrak since the 1980s.³ As a result of this disclosure, DOT had to perform a special evaluation to determine how this financial interest should be addressed in DOT's Consolidated Financial Statements. DOT determined that Amtrak was not a reporting entity that needed to be consolidated into DOT's financial statements and a disclosure in the financial statements would suffice. However, to prevent recurrence of similar incidents, DOT needs to work with the Operating Administrations to fully disclose financial investments in outside entities, and changes to related legislation, so that these investments could be properly reflected in the DOT's Consolidated Financial Statements.

Strengthening Oversight of Grantee Operations

Both the President and Congress have emphasized the need for full accountability, efficiency, and transparency in the allocation and expenditure of ARRA funds. In June 2009, we issued an ARRA Advisory on the sampling methodology used for testing improper payments.⁴ During FY 2009, DOT significantly expanded the FY 2009 improper payment testing for all four major grants programs—the FHWA Federal-aid Highway Program, the FTA Formula Grants Program, the FTA Capital Investment Grants Program, and the FAA Airport Improvement Program. In FY 2008, DOT tested payments totaling \$59.6 million; in FY 2009 DOT tested payments totaling \$663 million—more than a 10-fold increase—and identified significant improper payments in FHWA's Federal-aid Highway program. Most of these improper payments were due to insufficient supporting documentation provided by grantees. Requiring grantees to provide adequate support for use of Federal funds is essential to ensure accountability and provide for transparency. During FY 2010, DOT should implement corrective actions to minimize improper payments to grantees and expand improper payment testing to other high-risk programs such as the high-speed rail program.

The Single Audit Act requires state and local entities (grantees) expending more than \$500,000 of Federal funds to conduct a single audit in accordance with OMB Circular A-133. In addition to rendering an opinion on the grantee's financial statements, Single Audits test whether the grantee complied with grant

³ This financial investment was specified in the Amtrak Improvement Act of 1981 (Public Law 97-35) and the Amtrak Reform and Accountability Act of 1997 (Public Law 105-134). While former departmental officials, including OIG, had knowledge of the legislation, there is no process to ensure special congressional decisions are properly disclosed for inclusion in DOT financial statements.

⁴ ARRA Advisory – Sampling of Improper Payments in Major DOT Grants Programs, Department of Transportation, Advisory Number AA-2009-002, June 22, 2009. OIG reports and testimony can be found on our Web site at: www.oig.dot.gov.

requirements in spending Federal funds. An analysis of the FY 2008 Single Audits for 51 FHWA grantees (49 states, the Government of Guam, and the Puerto Rico Highways and Transportation Authority) showed that 29 of the 51 grantees had not complied with at least one Highway Planning and Construction grant requirement; while 8 of the 29 had significant noncompliance.⁵ For example, 10 states had not complied with allowable costs principle requirements in calculating the Federal share of costs, 9 states had not complied with Davis-Bacon Act labor rate requirements, and 8 states had not complied with cash management requirements. DOT has taken steps to improve the Single Audit resolution process to help ensure responsible use of regular grant and ARRA funds. However, sustained management attention is needed to ensure timely correction of Single Audit findings by DOT grantees.

Clifton Gunderson FY 2009 Audit Report

Clifton Gunderson reported five internal control significant deficiencies and one instance of potential or known noncompliance with laws and regulations:

Significant Deficiencies

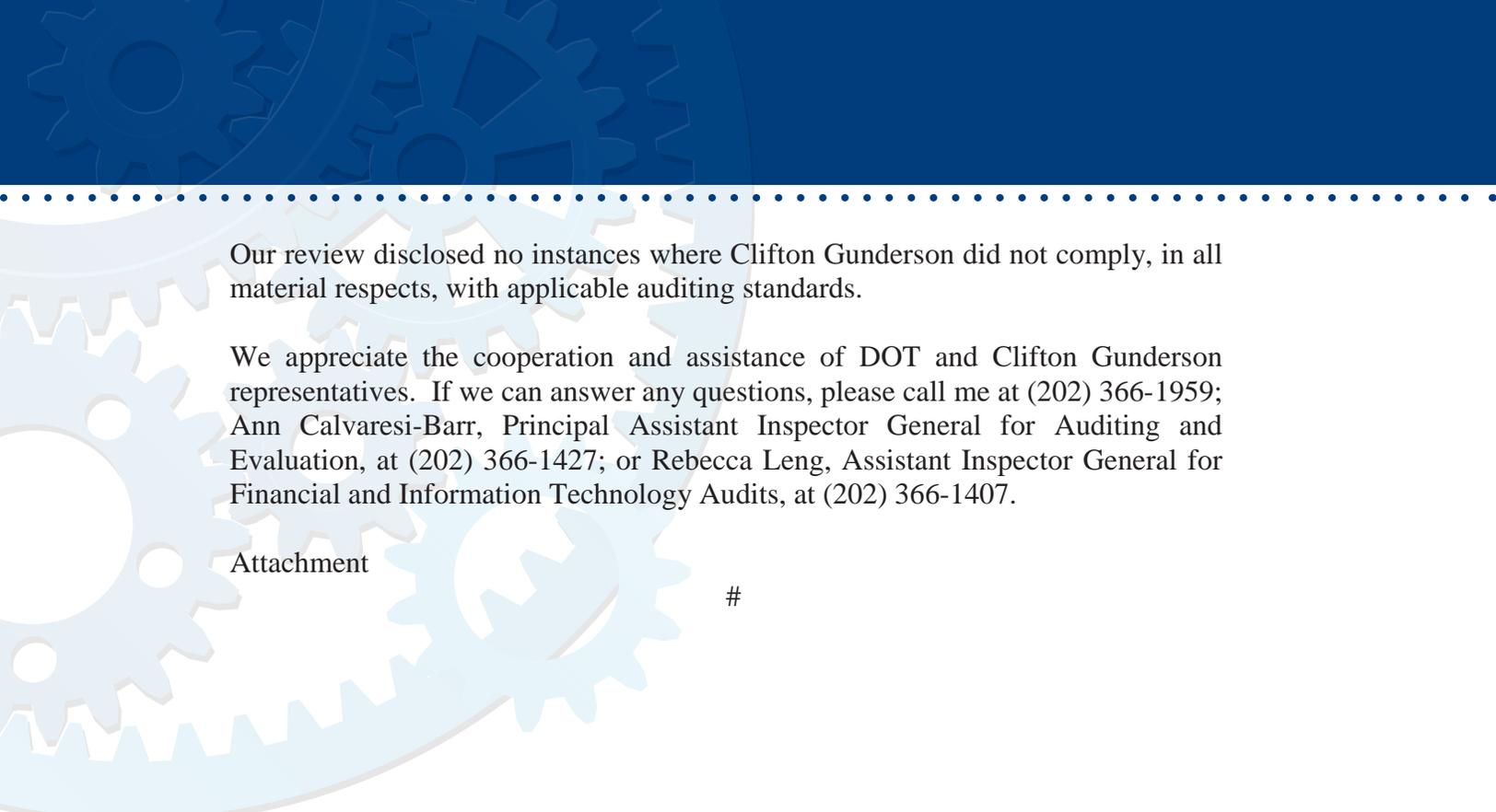
1. Financial Accounting, Reporting and Analysis
2. Undelivered Orders
3. Grant Accruals
4. Financial Management Oversight by MARAD
5. Information Technology Controls over Financial Systems and Applications

Noncompliance with Laws and Regulations

1. Antideficiency Act

Clifton Gunderson made 22 recommendations to strengthen financial, accounting, and system controls for remediation; we agree with all and, therefore, are making no additional recommendations. DOT officials concurred with the significant deficiencies, and potential or known instances of noncompliance, and committed to submitting to OIG a detailed action plan to address the findings contained in the audit report no later than December 31, 2009. In accordance with DOT Order 8000.1C, the corrective actions taken in response to the findings are subject to follow up. Please provide us with actual amounts de-obligated as a result of actions taken in response to the “Undelivered Orders” significant deficiency by June 30, 2010.

⁵ The eight received qualified opinions from the auditors for their overall compliance with FHWA grant requirements.



Our review disclosed no instances where Clifton Gunderson did not comply, in all material respects, with applicable auditing standards.

We appreciate the cooperation and assistance of DOT and Clifton Gunderson representatives. If we can answer any questions, please call me at (202) 366-1959; Ann Calvaresi-Barr, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1427; or Rebecca Leng, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407.

Attachment

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INDEPENDENT AUDITOR'S REPORT

Secretary and Inspector General,
U.S. Department of Transportation

In our audit of the U.S. Department of Transportation (DOT), for fiscal year (FY) 2009, we found:

- The consolidated balance sheet of DOT as of September 30, 2009, and the related consolidated statements of net cost and changes in net position, and the combined statement of budgetary resources for the year then ended (hereinafter referred to as "consolidated financial statements") are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America;
- No material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, although internal control could be improved;
- Progress has been made in FY 2009 on the seven control deficiency conditions noted in the FY 2008 auditor's report; however, certain matters relating to six of those conditions continue to exist and are reported herein as four significant deficiencies. In addition, a new significant deficiency was identified during our FY 2009 audit; and
- One instance of reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail: (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other supplementary information, (3) our audit objectives, scope and methodology, and (4) agency comments and our evaluation.

OPINION ON FINANCIAL STATEMENTS

In our opinion, the accompanying consolidated financial statements including the accompanying notes present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States, DOT's assets, liabilities, and net position as of September 30, 2009, and net costs; changes in net position; and budgetary resources for the year then ended. DOT's financial statements as of and for the year ended September 30, 2008, were audited by other auditors whose report dated November 12, 2008 expressed an unqualified opinion on those financial statements.

As discussed in Note 1U, *Summary of Significant Accounting Policies*, and Note 20, *Excise Taxes and Other Non-Exchange Revenue*, the accompanying financial statements reflect actual excise tax revenues collected through June 30, 2009 and excise tax revenues estimated by the Department of Treasury's Office of Tax Analysis for the quarter ended September 30, 2009.

Offices in 17 states and Washington, DC



As discussed in Note 18, *Earmarked Funds*, the Highway Account within the Highway Trust Fund experienced continuing revenue decline and faced a funding shortfall in FY 2009. As a result, Congress passed legislation in August 2009 which provided \$7 billion to DOT to replenish its Highway Trust Fund account.

CONSIDERATION OF INTERNAL CONTROL

In planning and performing our audit, we considered DOT's internal control over financial reporting as a basis for designing our auditing procedures and to comply with the Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting and compliance or on management's assertion on internal control included in MD&A. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting or on management's assertion on internal control included in the MD&A.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies summarized below, and described in **Exhibit I**, to be significant deficiencies in internal control over financial reporting.

Exhibit I

- 1) Financial Accounting, Reporting and Analysis;
- 2) Undelivered Orders;
- 3) Grant Accruals;
- 4) Financial Management Oversight by the Maritime Administration (MARAD); and
- 5) Information Technology Controls over Financial Systems and Applications.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described in **Exhibit I** are material weaknesses.

We also noted certain other nonreportable matters involving internal control and its operation that we communicated in a separate management letter to DOT management.

SYSTEMS' COMPLIANCE WITH FFMIA REQUIREMENTS

Under the Federal Financial Management Improvement Act of 1996 (FFMIA), we are required to report whether the financial management systems used by DOT substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger (SGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The objective of our audit was not to provide an opinion on compliance with FFMIA. Accordingly, we do not express such an opinion. However, our work disclosed no instances in which DOT's financial management systems did not substantially comply with Federal financial management systems requirements, Federal accounting standards, or the SGL at the transaction level.

COMPLIANCE WITH LAWS AND REGULATIONS

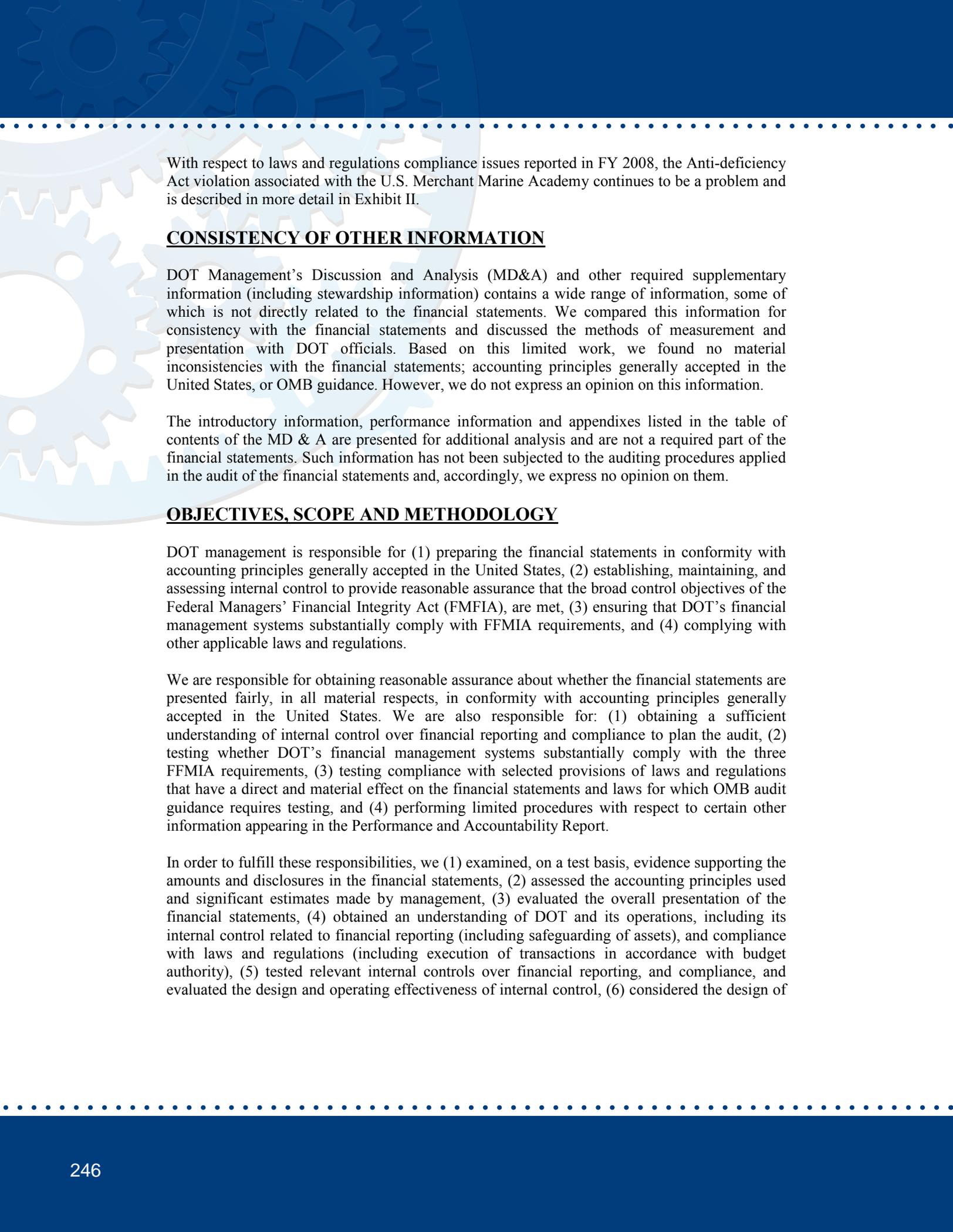
Except for reported and potential violations of the Anti-Deficiency Act described in Exhibit II, our tests of DOT's compliance with selected provisions of laws and regulations for FY 2009, disclosed no other instances of noncompliance that would be reportable under United States generally accepted government auditing standards or Office of Management and Budget (OMB) audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

STATUS OF PRIOR YEAR'S CONTROL DEFICIENCIES AND NONCOMPLIANCE ISSUES

As required by United States generally accepted government auditing standards and OMB Bulletin No. 07-04, as amended, we have reviewed the status of DOT's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditor's Report dated November 12, 2008. Exhibit III provides a discussion on the status of prior year findings and recommendations.

DOT has made progress in FY 2009 on the seven internal control deficiency conditions noted in the FY 2008 auditor's report; however, certain matters relating to six of those conditions continue to exist and further improvement is needed. These remaining conditions are reported in four significant deficiencies in Exhibit I as follows:

- 1) Financial Accounting, Reporting and Analysis;
- 2) Undelivered Orders;
- 3) Grant Accruals; and
- 4) Information Technology Controls over Financial Systems and Applications.



With respect to laws and regulations compliance issues reported in FY 2008, the Anti-deficiency Act violation associated with the U.S. Merchant Marine Academy continues to be a problem and is described in more detail in Exhibit II.

CONSISTENCY OF OTHER INFORMATION

DOT Management's Discussion and Analysis (MD&A) and other required supplementary information (including stewardship information) contains a wide range of information, some of which is not directly related to the financial statements. We compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with DOT officials. Based on this limited work, we found no material inconsistencies with the financial statements; accounting principles generally accepted in the United States, or OMB guidance. However, we do not express an opinion on this information.

The introductory information, performance information and appendixes listed in the table of contents of the MD & A are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

OBJECTIVES, SCOPE AND METHODOLOGY

DOT management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act (FMFIA), are met, (3) ensuring that DOT's financial management systems substantially comply with FFMIA requirements, and (4) complying with other applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether DOT's financial management systems substantially comply with the three FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Performance and Accountability Report.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements, (4) obtained an understanding of DOT and its operations, including its internal control related to financial reporting (including safeguarding of assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority), (5) tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control, (6) considered the design of

the process for evaluating and reporting on internal control and financial management systems under FMFIA, (7) tested whether DOT's financial management systems substantially complied with the three FFMIA requirements, and (8) tested compliance with selected provisions of certain laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to DOT. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to DOT's financial statements for the fiscal year ended September 30, 2009. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audit in accordance with auditing standards generally accepted in the United States; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB guidance.

AGENCY COMMENTS AND OUR EVALUATION

DOT's response to the findings identified in our audit is described in the accompanying Exhibit IV. We did not audit DOT's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of DOT management, DOT's Office of Inspector General, OMB, the Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Gundersen LLP

Calverton, Maryland
November 14, 2009

**DEPARTMENT OF TRANSPORTATION
INDEPENDENT AUDITOR'S REPORT
SIGNIFICANT DEFICIENCIES
September 30, 2009**

1. Financial Accounting, Reporting & Analysis

Conditions:

Although DOT management has improved its accounting and financial reporting processes it uses to support financial management and prepare its consolidated financial statements in FY 2009, further improvements are needed. Examples of some of these improvements are as follows:

- DOT expanded its review and analysis of its interim and year-end consolidating financial statements.
- DOT strengthened its procedures to comply with OMB Circular No. A-123 appendix A, Internal Control over Financial Reporting, at the departmental level.
- DOT expanded its analysis of proprietary and budgetary account relationships by providing dedicated resources in the research and correction of out of balance accounts.
- DOT's Federal Aviation Administration implemented a variety of procedures to help reduce the number of existence, classification and valuation errors in its Property, Plant and Equipment accounts, including those relating to Construction in Progress.

However, the following deficiencies still exist in the DOT's internal controls relating to its financial accounting, reporting and analysis.

a) Reliance and Use of Journal Entries

The most important aspect of this significant deficiency is DOT's dependence on journal entries to prepare its financial statements. Even though DOT has made improvements in this area this year, the problem continues to be substantial and needs more focused attention to ensure reliability of the financial reporting process used by DOT both during the year and at year end.

DOT and its Operating Administrations (OAs) recorded over 9,000 journal entries (JVs) totaling an absolute value of approximately \$685 billion during FY 2009. Of the approximately \$685 billion JVs used to record transactions, approximately \$375 billion were related to a variety of entries (i.e. accrual entries, Treasury related adjustments, etc.) for which the use of the JVs is considered appropriate. Most of the remaining JVs in the absolute value of approximately \$310 billion appeared to relate to data cleanup. However, many of these JVs could have been avoided by processing DOT's normal transactions through one of its general ledger system, Delphi, modules such as the Budget Execution Module (BEM) or by using Delphi's standard transaction codes. The volume

and amount of these adjustments suggests that the internal control related to accounting for financial activities may not be working properly to capture all financial events at the transaction level at the time when the transactions occurred. This manually intensive process has a high risk of error, is time consuming and utilizes resources that could be spent on other financial reporting matters.

b) Accounting and Reporting for Property, Plant and Equipment (PP&E), including the Construction in Progress Assets

DOT's PP&E is substantially comprised (95% of consolidated amount) of assets constructed and maintained by the Federal Aviation Administration (FAA). During FY 2009, we noted that FAA continued to have difficulties in the timely accounting and reporting of property plant and equipment transactions. This matter is more fully described in a separate audit report issued to FAA management.

In addition, other weaknesses relating to PP&E for one of DOT's other Operating Administrations, the Maritime Administration (MARAD) is discussed in item # 4 below.

c) Timely Follow-up of Identified Amtrak Financial Reporting Issue

During FY 2009, DOT management began research into whether the Secretary of Transportation's ownership of the National Railroad Passenger Corporation (Amtrak)'s Preferred stock, at \$100 par value and over 109 million authorized shares issued in 1981 through 1997 and still outstanding at September 30, 2009, had financial reporting implications for DOT. Transactions with Amtrak have been accounted for as grants and other expenses since 1981.

The DOT's ownership of the Amtrak stock began on August 13, 1981 with the passage of Public Law 97-35 subtitle F, "The Amtrak Improvement Act." The Act established the requirement for Amtrak to issue to the Secretary preferred shares for amounts appropriated by Congress for capital acquisitions or improvements, or for operating and capital expenses. Public Law 105-134, the Amtrak Reform and Accountability Act of 1997, repealed that requirement, and provisions relating to redemption, liquidation preference, and voting rights of preferred shares. The Federal Railroad Administration (FRA) and DOT financial management did not have a process in place to ensure that legal or congressional decisions made prior to the CFO Act that could have a financial statement impact were included in their financial reporting.

After much research and consultation with legal counsels at DOT, and in consultation with OMB and Treasury, DOT financial management prepared a position paper and made the appropriate disclosures for the first time in the notes to its financial statements.

Recommendations: We commend DOT management for the efforts and improvements they have made in its internal controls, application of accounting principles, and monitoring processes since FY 2008. However, as evidenced by the conditions noted above, continued diligence in this area is needed to further advance the progress made to date. Accordingly, we make the following recommendations:

a) Reliance and Use of Journal Entries

- Strengthen its policies and procedures to ensure that OAs minimize their use of journal entries and that adjusting journal entries should be used for limited transactions (i.e. quarterly accruals, unusual one-time entries, etc.) only.
- Continue with financial management modernization efforts to define and re-engineer business processes which aid in the design and configuration of its next upgrade to Oracle R12. R12 should be configured as a fully integrated financial management system allowing for the use of event driven rules (based on Treasury Transaction codes) in the subsidiary modules.

b) Accounting for Property, Plant and Equipment

- The procedural reasons for the need for the corrections in property, plant and equipment accounts need further investigation by FAA and MARAD management as they continue to resolve deficiencies in their internal controls and accounting processes over property plant and equipment transactions.

c) Timely Follow-up of Legal Matters Affecting Financial Reporting Issues

- Continue to monitor and track the Amtrak stock ownership situation to ensure proper financial reporting going forward. DOT management should request DOT and FRA legal counsel to apprise them of any changes in legislation or other matters that could possibly change DOT's relationship with Amtrak, and accordingly impact how DOT accounts for its investment in Amtrak and grant payments made to them.
- With respect to other legal matter that may have accounting implications, DOT should develop a list of legal inquiries to be sent to the individual OAs' and the Department's legal counsel to capture financial reporting matters not included in the traditional legal letter confirmations. Such matters should include stock ownership of private or publicly held companies, Board of Director representation and special financing arrangements outside the normal course of business. Results of the legal inquiries should be reviewed and assessed by DOT's financial management team to determine whether any of the matters may result in a financial reporting accounting event or disclosure. The assessment should consider the current authoritative guidance set forth by OMB, GAO, Treasury, and FASAB. In addition, management's assessment should be documented and readily available for internal and third party review.

2. Undelivered Orders

Conditions:

DOT obligates its budgetary resources when it enters into a binding legal agreement such as a grant or a contract with a third party. At the end of the grant or contract terms, any previously obligated but not disbursed amounts (also known as undelivered orders, UDO) associated with completed or cancelled projects should be de-obligated enabling the unused funds to potentially become available for other agency program needs. When the unneeded

obligations continue to remain on DOT's books, they are considered to be inactive invalid obligations. DOT reported approximately \$101.6 billion of UDO at September 30, 2009. Of that amount, approximately \$1.4 billion was related to contracts and \$7.7 billion was related to grants with no activity for longer than 12 months. Though we noted certain improvements in DOT OAs' management and monitoring of inactive obligations, continued improvement is needed to ensure the status of the budgetary resources is reported accurately and represent valid obligations of the DOT. The following deficiencies still existed in the DOT's internal controls relating to the UDOs during FY 2009:

- a) During our statistically based sample testing of the UDO balances at September 30, 2009, we noted 56 instances out of 124 items tested where the UDO balance should have been de-obligated because the project was completed or the amount recorded could not be substantiated by management without extensive research. The actual errors aggregated approximately \$3.7 million, and the projected value of the error to the entire UDO population was estimated to be an overstatement of approximately \$800 million.
- b) Null UDOs are comprised of transactions recorded in the general ledger not associated with a particular contract or grant obligating document. DOT had recorded "null" undelivered orders in the absolute value of approximately \$2.1 billion and a net balance of \$420 million at September 30, 2009.
- c) FHWA and FTA Divisional or Regional offices often did not provide sufficient justification and supporting documentation for inactive grant projects not deemed ready to be closed. In addition, management was aware of several inactive projects during FY 2009; however, the de-obligation of the unneeded funds from those projects did not occur until after September 30, 2009.

Recommendations: The projected error in the UDO balance at September 30, 2009 is substantial, and the reasons for the extent of these errors need immediate attention to avoid an escalation of the problem in FY 2010. We recommend that DOT take the following actions to immediately reduce the error in the UDO balance and resolve the risk of significant error in the future:

- a) Standardize the inactive UDO review process throughout the Department by providing data download of inactive UDOs on a quarterly basis to the OA management and require the OAs to report the status of these inactive UDOs. Internal review of the inactive UDOs may be incorporated into DOT's A-123 Appendix A implementation efforts. One technique could include a review of support documentation obtained by using a stratified sampling method. Timely follow up of areas with a higher degree of invalid obligations should be performed to ensure better compliance.
- b) Monitor the field offices' quarterly inactive project reviews, particularly on stagnant projects, to ensure that inactive obligations are liquidated in a timely manner throughout the year.

- c) Update the policies and procedures to include specific procedures for the timely monitoring and liquidating of inactive obligations. The qualifier “timely” should be clarified in the guidance to ensure consistent implementation of the requirements.
- d) Implement policies and procedures which require the OAs to more diligently follow-up with their contracting officers or grantees to identify and de-obligate unneeded obligations in a timely manner.
- e) Continue to review and follow-up with the OAs to ensure that all Null UDO transactions recorded in the general ledger contain information for the UDO reference field, including activities related to upward and downward adjustments of prior year obligated balances and previously converted balances.

3. Grant Accruals

Conditions:

DOT reported approximately \$55 billion of grants related expenditures in FY 2009. At September 30, 2009, DOT estimated a grant accrued liability of \$6.8 billion for expenditures incurred by its grantees but not yet reimbursed by DOT. Of the \$6.8 billion reported by DOT, approximately \$5.9 billion were related to Federal Highway Administration’s (FHWA) and Federal Transit Administration’s (FTA) grant programs. FHWA and FTA management compare their grant accrual estimates with subsequent payments made to grantees to assess the reliability of their processes used to develop the estimates on a quarterly basis. The result from such comparisons is analyzed over a period of over two years to determine whether the methodology used in calculating the grant accrual is still reasonable and relevant. Due to the restrictions placed by the Paperwork Reduction Act in prior years, FHWA and FTA were unable to survey a sufficient number of their grantees to perform a meaningful analysis and determine the reasons for the significant fluctuations that occurred. Consequently, material variances occurred for some of the quarters included in the trend analysis could not be adequately explained by FHWA and FTA management. Examples of significant variances are, and additional specific OA information is as follows:

- a) **FHWA** – Differences in FY 2008 and 2009 between the estimate and actual ranged from negative \$667 million to a positive \$404 million, representing a percentage difference range of negative 17% to a positive 16%.
- b) **FTA** - Difference in FY 2007 and 2008 between the estimate and actual ranged from negative \$129 million to a positive \$346 million, representing a percentage difference range of negative 11% to a positive 27%.
 - Though significant fluctuations were noted for FTA, prior to FY 2007, the overall variances between the grant accrual estimates and the actual expenditures have decreased during FY 2009. However, the variance by program element for numerous programs continued to remain significant for the most recent three quarters through June 30, 2009.

- FTA routinely receives grantee submitted expenditure data on a quarterly or annual basis. This can serve as an independent third party validation tool. However, the financial monitoring of grantees' expenditures reporting has not been adequately developed and data quality of the Standard Form (SF) 269s is not readily available as a means for management to validate the reasonableness of its grant accrual.

Recommendations:

We provide the following recommendations for each of the relevant OAs:

FHWA

- a) Assess the reliability and reasonableness of its current grant accrual methodology by performing the following:
 - Survey sufficient number of grantees and update the grant accrual methodology based on the most current and relevant information. Consider reviewing the survey results with the relevant program officials to ensure consistency and reliability of information received from the grantees.
 - Consider using results of the audited grantee information like the accrual amounts reported by its state grantees in their audits and adjust for any programmatic changes that occurred at the grantee level to determine whether the survey information included by the grantee is materially correct or supported. Additionally, the audited information may be used as another tool to validate its grant accrual methodology.
- b) Continue to refine its grant accrual look back analysis by developing or enhancing data gathering methods. The application of these methods should result in providing sufficient evidence to explain unusual variances or support to update the current grant accrual methodology. Such periodic assessment of the adequacy of the grant accrual methodology should be documented and supported by data analysis. The estimated liability amount is subject to risk that actual subsequent disbursement amount may be significantly different than management's estimate. When this occurs, management should further analyze the drivers/factors for such an unexpected occurrence to ensure the validity and reasonableness of the estimation methodology.

FTA

- a) FTA management has begun its corrective actions related to the grantee training on SF-269 reporting, and timely receipt and review of SF-269s. Prior to the full implementation of utilizing SF-269s as a grant accrual validation tool, we make the following recommendations to FTA management in addition to the recommendations provided above to FHWA management:

- FTA management should ensure that the SF-269s are provided by its grantees in a timely manner and that prompt follow-up actions are taken on delinquent grantees. In addition, management should systematically review the SF-269 data by maximizing system edit checks, which also verify the grant expenditures reported by grantees with actual disbursement data recorded in the ECHO system, complimented by manual reviews for unusual grantee spending trends, to determine the reasonableness and completeness of the grantee reported information. A tolerance range should be developed by management to determine an acceptable high level of precision to provide adequate management assurance. Additional training should be provided to those grantees that continue to misreport their expenditures.

4. Financial Management Oversight by MARAD

Conditions:

MARAD is one of the Operating Administrations (OA) of DOT, and we noted several deficiencies in their financial management and financial reporting processes that are unique as compared to other DOT OAs. The following paragraphs describe the specific conditions that existed during FY 2009 or at September 30, 2009.

a) Incorrect Reporting of Navy Transferred Ships

In FY 2009, MARAD incorrectly recorded the value of 8 fully depreciated Navy ships received from U.S. Navy in its financial statements. Even though the impact on MARAD's balance sheet was zero, the improper accounting resulted in an initial \$273 million overstatement of both Depreciation Expense and Donated Revenue. Pursuant to Statement of Federal Financial Accounting Standards No. 6, "The cost of general PP&E transferred from other Federal entities shall be the cost recorded by the transferring entity for the PP&E net of accumulated depreciation or amortization." These errors were corrected by September 30, 2009.

b) Environmental Liability Calculation – Ship Disposal Costs

The MARAD environmental liability includes two types of estimated costs: (1) ship disposal costs and (2) environmental remediation costs. MARAD management uses the vessel tonnage and the estimated disposal contract award value of each vessel to determine the weighted average cost per ton. The weighted average cost per ton is used to derive the estimated environmental liability for disposal cost. MARAD incorrectly calculated the estimated environmental liability because it included gains from the sold ships in the disposal cost calculation.

In addition to this accounting error, MARAD management has not been performing assessments of the inputs used to calculate the environmental liability. For example, we noted that management does not have a validation process in place to ensure that input used to calculate the disposal costs are reasonable, such as the average price for steel. In addition, MARAD's liability estimation process does not adequately consider new or emerging market trends.

- c) **Environmental Liability Calculation –Environmental Remediation Costs**
MARAD does not have sufficient documentation to support its estimate methodology for its liability for environmental remediation costs. Additional analysis was needed to determine the reasonableness of the over \$100 million in MARAD liability estimates at September 30, 2009.
- d) **Ships Not in Use**
MARAD management did not follow the procedures included in its PP&E desk guide requiring a monthly reconciliation between the fleet inventory report maintained by its property managers and the Delphi fixed asset report. MARAD relied on their accounting service provider to perform this reconciliation, and provided very limited review oversight. This lack of attention resulted in nine non-retention vessels being included on the fixed assets report when the vessels had previously been retired from service, some as early as in FY 2007. These errors were corrected by the end of the FY 2009.

Recommendations:

Though corrective actions were implemented for certain of the conditions cited above by September 30, 2009, MARAD must be more diligent in recording transactions properly during the year by conducting proper oversight of its accounting operations. Accordingly, we recommend MARAD do the following:

- a) Perform the necessary research of generally accepted accounting principles, including relevant federal accounting standards and guidance issued by the Federal Accounting Standards Advisory Board (FASAB), Treasury and Office of Management and Budget (OMB) in accounting and reporting for all unique transactions.
- b) Fully implement its new method for calculating its environmental liability by properly accounting for ship disposal proceeds, utilizing recent historical ship disposal cost information, and ultimately comparing amounts to current market trends.
- c) Fully document the environmental remediation liability cost estimation process performed in accordance with appropriate accounting literature (i.e. SFFAS No. 5 for contingent liabilities and FASAB Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government).
- d) Perform PP&E reconciliation, with supervisory review, between their fleet inventory report and Delphi's fixed asset report on a monthly basis, with discrepancies resolved in a timely manner.

5. Information Technology Controls Over Financial Systems and Applications

Conditions:

DOT relies extensively on information technology (IT) systems to accomplish its mission and in the preparation of its financial statements. Internal controls over these operations are essential to ensure the confidentiality, integrity, and availability of critical data while reducing the risk of errors, fraud and other illegal acts.

Our review of information technology controls examined general and selected application controls. General controls are the structure, policies and procedures that apply to an entity's overall computer systems. They include entity-wide security management, access controls, configuration management controls, segregation of duties and service continuity controls. Application information security controls involve input, processing, and output controls related to specific IT applications.

In FY 2008, the DOT OIG reported a significant deficiency in DOT's financial system general controls and in controls in the following systems: Enterprise Services Center's Delphi Financial Management System and the Delphi data center; FAA systems: System of Airports Reporting (SOAR), Purchase Request Information System Management (PRISM), Cost Accounting System (CAS), and Consolidated Automation System for Time and Labor Entry (CASTLE); FHWA system: Fiscal Management Information System (FMIS); and FTA systems: Transportation Electronic Award Management System (TEAM), Electronic Clearing House Operation (ECHO), and the Delphi Online Transaction System (DOTS).

In FY 2009, DOT made progress in strengthening the design and implementation of controls over its financial information systems by issuing several finalized IT policies and procedures, improving audit log monitoring processes, and finalizing application disaster recovery plans. However, we identified certain internal control deficiencies in DOT's financial accounting information systems which indicate that continued improvement is needed. In addition, in 2009 the Cash Allowance Rebate System (CARS) program was initiated as a temporary program on June 24, 2009. The program lasted 124 days and with an aggressive start date of July 1, 2009 and ending on November 1, 2009.

More specifically, we noted control weaknesses for the FHWA, FTA, and NHTSA systems as follows:

- **FHWA systems:** Fiscal Management Information System (FMIS) and User Profile and Access Control System (UPACS).
- **FTA systems:** Transportation Electronic Award Management System (TEAM) and Financial Management System (FMS/ECHO and DOTS)
- **NHTSA system:** Car Allowance Rebate System (CARS)

A summary of key findings related to FMIS, UPACS, TEAM, FMS (DOTS and ECHO) and CARS systems are categorized and listed by general control category as follows:

- a) **Access Controls** – Access controls are designed to limit or detect access to computer programs, data, equipment, and facilities to protect these resources from unauthorized modification, disclosure, loss or impairment. Such controls include logical and physical security controls. Although prior access control findings have been substantially addressed, additional access control weaknesses were identified this year. Separated employee system access was not being removed in a timely manner, and user access re-certifications were not performed on an annual basis. Additionally, we noted a lack of access approval documentation.
- b) **Security Management** - Controls should establish a framework and continuous cycle of activity for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of these procedures. We noted policies and procedures related to user access monitoring and password configuration need further enhancement. The certification and accreditation process for the CARS system was not performed in accordance with National Institute of Standards and Technology (NIST) standards or DOT directives.
- c) **Contingency Planning** - Controls provide reasonable assurance that contingency planning (1) protects information resources and minimizes the risk of unplanned interruptions and (2) provides for recovery of critical operations should interruptions occur. Contingency planning deficiencies were noted related to alternate storage, alternate processing, alternate telecommunications and contingency plan testing.
- d) **Segregation of Duties** – Controls provide reasonable assurance that incompatible duties, responsibilities and related policies are effectively segregated and there are effective controls of personnel activities through formal operating procedures, supervision, and review. This year we noted inappropriate access to financial management production systems. However, we noted no segregation of duties issues related to the CARS system.
- e) **Configuration Management** – Configuration management controls are designed to provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely and as intended. Although prior configuration management control findings have been substantially addressed, additional configuration management weaknesses were identified this year. A database security configuration standard has not been developed to date. There is also a lack of comprehensive configuration management plan procedures and timely implementation of database patches.

Recommendations: We recommend that the DOT continue to improve the internal controls over access controls, security management, contingency planning, segregation of duties, configuration management and contingency planning.

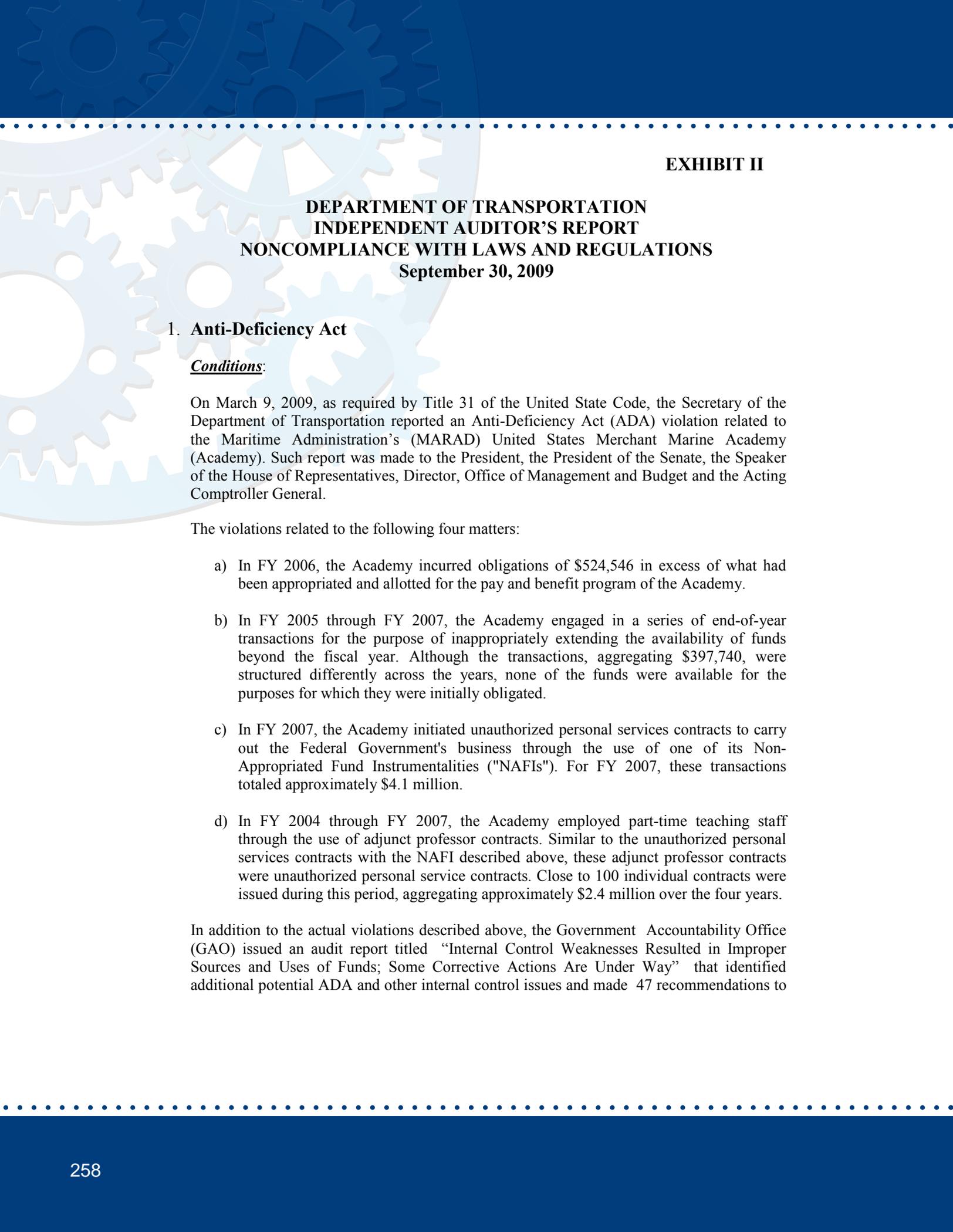


EXHIBIT II

**DEPARTMENT OF TRANSPORTATION
INDEPENDENT AUDITOR'S REPORT
NONCOMPLIANCE WITH LAWS AND REGULATIONS
September 30, 2009**

1. Anti-Deficiency Act

Conditions:

On March 9, 2009, as required by Title 31 of the United State Code, the Secretary of the Department of Transportation reported an Anti-Deficiency Act (ADA) violation related to the Maritime Administration's (MARAD) United States Merchant Marine Academy (Academy). Such report was made to the President, the President of the Senate, the Speaker of the House of Representatives, Director, Office of Management and Budget and the Acting Comptroller General.

The violations related to the following four matters:

- a) In FY 2006, the Academy incurred obligations of \$524,546 in excess of what had been appropriated and allotted for the pay and benefit program of the Academy.
- b) In FY 2005 through FY 2007, the Academy engaged in a series of end-of-year transactions for the purpose of inappropriately extending the availability of funds beyond the fiscal year. Although the transactions, aggregating \$397,740, were structured differently across the years, none of the funds were available for the purposes for which they were initially obligated.
- c) In FY 2007, the Academy initiated unauthorized personal services contracts to carry out the Federal Government's business through the use of one of its Non-Appropriated Fund Instrumentalities ("NAFIs"). For FY 2007, these transactions totaled approximately \$4.1 million.
- d) In FY 2004 through FY 2007, the Academy employed part-time teaching staff through the use of adjunct professor contracts. Similar to the unauthorized personal services contracts with the NAFI described above, these adjunct professor contracts were unauthorized personal service contracts. Close to 100 individual contracts were issued during this period, aggregating approximately \$2.4 million over the four years.

In addition to the actual violations described above, the Government Accountability Office (GAO) issued an audit report titled "Internal Control Weaknesses Resulted in Improper Sources and Uses of Funds; Some Corrective Actions Are Under Way" that identified additional potential ADA and other internal control issues and made 47 recommendations to

MARAD management. On November 5, 2009 MARAD issued a response to the report agreeing to implement the 47 recommendations made by GAO and provided a corrective action plan for implementing the recommendations.

Also, during our audit we noted that MARAD did not always prepare minutes of the Fiscal Oversight and Administrative Review Board (FOB) meetings as required by Administrative Order No. 150-3. Such order states that “the Chair will cause minutes of Board conferences to be prepared and submitted to the Maritime Administrator, Deputy Maritime Administrator, Chief Counsel and Superintendent.”

Recommendations: MARAD’s management has taken several corrective actions to address those reported anti-deficiency violations and improve the Academy’s internal control in FY 2009. However, we further recommend that MARAD:

- a) Continue the remedial actions to correct the weaknesses identified at the Academy.
- b) Prepare minutes of the Fiscal Oversight Board and submit them in accordance with Administrative Order No. 150-3.
- c) Continue to implement the recommendations made by GAO in the aforementioned GAO report.

EXHIBIT III

DEPARTMENT OF TRANSPORTATION
 INDEPENDENT AUDITOR'S REPORT
 STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
 September 30, 2009

Prior Year Condition	Status As Reported at September 30, 2008	Status as of September 30, 2009
Control Deficiencies		
A. Journal Entries and Account Relationships	<u>Significant Deficiency:</u> The DOT has weaknesses in following its policies and procedures over the recording of journal entries and in the timely resolution of differences identified in its budgetary and proprietary account relationships.	Included as part of the Significant Deficiency on Financial Accounting, Reporting and Analysis.
B. Property, Plant and Equipment, including the Construction in Progress Account	<u>Significant Deficiency:</u> Various accounting errors resulting in actual and projected errors of approximately \$130 million in various property related accounts at September 30, 2009.	Included as part of the Significant Deficiency on Financial Accounting, Reporting and Analysis.
C. Grant Accruals	<u>Significant Deficiency:</u> Certain OAs (FHWA, FTA, and FAA) did not receive sufficient information to either evaluate the accuracy and reliability of the accrual estimated as of September 3, 2007 or update their estimates for FY 2008.	Repeated as a Significant Deficiency.
D. Exchange Revenue	<u>Significant Deficiency:</u> During FY 2008, approximately 17% of exchange revenue transactions sampled were recorded in the wrong fiscal year.	Downgraded to Management Letter deficiency.
E. Financial Reporting	<u>Significant Deficiency:</u> The DOT has weaknesses in its <u>financial reporting process</u> and several areas need improvement in the DOT's financial reporting process, including: <ul style="list-style-type: none"> • Classification and reporting of DOT's environmental liabilities and lease expenses; • Eliminations of intra-departmental activity; and • Implementation of Statement of Federal Financial Accounting Standards (SFFAS) No. 29, Heritage Assets and Stewardship Land. • Deficiencies in the disclosure of credit reform and loan guarantee information 	Resolved in FY 2009.

Prior Year Condition	Status As Reported at September 30, 2008	Status as of September 30, 2009
	and in the calculation of the subsidy and loan guarantee allowances.	
F. Undelivered Orders	Significant Deficiency: The DOT did not consistently de-obligate funds in a timely manner. The FHWA grant subsidiary systems did not agree to the general ledger.	Repeated as a significant deficiency.
G. Information Technology Controls over Financial Systems and Applications	Significant Deficiency: DOT had weaknesses in four systems area: 1) Enterprise Services Center's Delphi Financial Management System and the Delphi data center; 2) FAA System's of SOAR, PRISM, CAS, CASTLE; 3) FHWA systems of FMIS; and 4) FTA systems of TEAM, ECHO and DOTS.	Repeated as a significant deficiency - DOT still had weaknesses in two system areas: 1) FHWA systems of FMIS and UPACS; and 2) FTA systems of TEAM, FMS/ECHO and DOTS.
Compliance and Other Matters		
H. Noncompliance with the Anti-Deficiency Act	MARAD management identified a potential violation at the U.S. Merchant Marine Academy.	Repeated as a non-compliance violation.
I. Noncompliance with the Federal Financial Management Improvement Act of 1996	DOT did not substantially comply with the FFMIA due to managerial cost accounting, certain transaction types or processes were not recorded timely or accurately and account relationships were not appropriately addressed until year end.	Resolved in FY 2009.
J. Noncompliance with the Federal Managers' Financial Integrity Act of 1982	Inconsistencies in the consideration and reporting of internal controls over the effectiveness and efficiency of operations within DOT.	Resolved in FY 2009.
K. Noncompliance with the Improper Payments Information Act of 2002	DOT did not provide sufficient information to determine whether sampling plan used was statistically valid. In addition, the projection of sampling results to the program totals based on the generally accepted convention formulas could not be determined.	Resolved in FY 2009.



EXHIBIT IV

**DEPARTMENT OF TRANSPORTATION
MANAGEMENT'S RESPONSE TO FY 2009
INDEPENDENT AUDITOR'S REPORT
November 14, 2009**



**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

Assistant Secretary
for Budget and Programs
and Chief Financial Officer

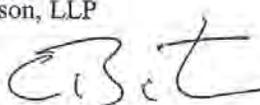
1200 New Jersey Avenue, SE
Washington, DC 20590

November 14, 2009

MEMORANDUM TO: Calvin L. Scovell, III
Inspector General

Denise Wu
Partner, Clifton Gunderson, LLP

Sal Ercolano
Partner, Clifton Gunderson, LLP

FROM: Christopher P. Bertram 

SUBJECT: Management's Response to the Audit Report on the
Consolidated Financial Statements for Fiscal Years (FY)
2009 and 2008

I am pleased to respond to your audit report on the Consolidated Financial Statements for FY 2009 and 2008. For the second consecutive year, the Department of Transportation has earned an unqualified opinion with no material weaknesses identified in the auditor's report on internal controls. This is confirmation of DOT's continued commitment to protecting and managing the resources, assets, and programs entrusted to us. We take great pride in our ability to sustain strong and vigilant financial management, as demonstrated in our achievement of an unqualified audit opinion.

We concur with the five significant deficiencies contained in your report on internal controls over financial reporting, and with the one instance of non-compliance found in certain provisions of applicable laws and regulations. The Department plans to submit a detailed action plan to the Inspector General no later than December 31, 2009, to address the findings contained in your report.

Please convey my sincere appreciation and gratitude to you and your staff for the professionalism and cooperation exhibited during this audit. Our combined efforts and teamwork made the difference in successfully meeting the objectives of the financial audit process. Please refer any questions to Laurie Park, Director of Financial Management.

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PRINCIPAL STATEMENTS

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U.S. Department of Transportation Consolidated Balance Sheets As of September 30, 2009 and 2008 (Dollars in Thousands)

Assets	2009	2008
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 62,685,783	\$ 22,074,754
Investments, net (Note 3)	20,684,481	21,699,531
Accounts receivable (Note 4)	285,748	235,638
Other (Note 5)	38,450	38,915
Total intragovernmental	83,694,462	44,048,838
Cash	250	54,675
Investments, net (Note 3)	-	28,707
Accounts receivable, net (Note 4)	99,006	67,852
Direct loan and loan guarantees (Note 6)	2,219,298	1,670,284
Inventory and related property, net (Note 7)	797,310	802,368
General property, plant and equipment, net (Note 8)	14,439,603	14,512,568
Other (Note 5)	256,130	182,492
Total assets	\$ 101,506,059	\$ 61,367,784
Stewardship property, plant and equipment (Note 9)		
Liabilities (Note 10)		
Intragovernmental:		
Accounts payable	\$ 20,503	\$ 11,046
Debt (Note 11)	2,478,348	1,762,985
Other (Note 15)	3,092,982	3,263,123
Total intragovernmental	5,591,833	5,037,154
Accounts payable	736,223	532,579
Loan guarantee liability (Note 6)	310,710	258,050
Federal employee benefits payable (Note 12)	975,442	984,710
Environmental and disposal liabilities (Note 13)	1,195,249	828,757
Grant accrual (Note 14)	6,769,814	5,810,147
Other (Note 15)	1,351,571	1,365,257
Total liabilities	16,930,842	14,816,654
Commitments and contingencies (Note 17)		
Net position (Note 18)		
Unexpended appropriations - earmarked funds	1,212,951	1,010,409
Unexpended appropriations - other funds	50,425,385	7,643,564
Cumulative results of operations - earmarked funds	22,481,668	25,944,043
Cumulative results of operations - other funds	10,455,213	11,953,114
Total net position	84,575,217	46,551,130
Total liabilities and net position	\$ 101,506,059	\$ 61,367,784

The accompanying notes are an integral part of these financial statements.

U.S. Department of Transportation
Consolidated Statements of Net Cost
For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

Program Costs (Note 19):

Surface Transportation:

Gross costs	\$ 58,120,836	\$ 50,416,782
Less: earned revenue	523,182	263,771
Net program costs	<u>57,597,654</u>	<u>50,153,011</u>

Air Transportation:

Gross costs	16,868,905	15,913,667
Less: earned revenue	579,983	381,546
Net program costs	<u>16,288,922</u>	<u>15,532,121</u>

Maritime Transportation:

Gross costs	1,113,672	706,649
Less: earned revenue	384,985	491,570
Net program costs	<u>728,687</u>	<u>215,079</u>

Cross-Cutting Programs:

Gross costs	648,325	565,861
Less: earned revenue	321,117	542,360
Net program costs	<u>327,208</u>	<u>23,501</u>

Costs not assigned to programs 366,041 386,130

Less earned revenues not attributed to programs 10,708 39,379

Net cost of operations \$ 75,297,804 \$ 66,270,463

The accompanying notes are an integral part of these financial statements.

U.S. Department of Transportation
Consolidated Statements of Changes in Net Position
For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

	2009			2008		
	Earmarked Funds	All Other Funds	Total	Earmarked Funds	All Other Funds	Total
Cumulative Results of Operations:						
Beginning balance	\$ 25,944,043	\$ 11,953,114	\$ 37,897,157	\$ 26,552,761	\$ 11,427,564	\$ 37,980,325
Budgetary Financing Sources:						
Other adjustments	-	-	-	(783)	756	(27)
Appropriations used	3,574,704	20,240,117	23,814,821	2,582,284	14,220,954	16,803,238
Non-exchange revenue (Note 20)	45,875,842	3,829	45,879,671	48,688,029	(3,679)	48,684,350
Donations/forfeitures of cash/cash equivalents	1,102	-	1,102	1,557	-	1,557
Transfers-in/(out) without reimbursement (Note 18)	7,178,707	(6,970,844)	207,863	8,035,031	(7,997,976)	37,055
Other Financing Sources (Non-Exchange):						
Transfers-in/(out) without reimbursement	(517,922)	364,291	(153,631)	(1,898,408)	1,919,255	20,847
Imputed financing	649,662	106,563	756,225	548,956	93,192	642,148
Other	(237,241)	68,718	(168,523)	-	(1,873)	(1,873)
Total financing sources	56,524,854	13,812,674	70,337,528	57,956,666	8,230,629	66,187,295
Net cost of operations	59,987,229	15,310,575	75,297,804	58,565,384	7,705,079	66,270,463
Net change	(3,462,375)	(1,497,901)	(4,960,276)	(608,718)	525,550	(83,168)
Cumulative Results of Operations	22,481,668	10,455,213	32,936,881	25,944,043	11,953,114	37,897,157
Unexpended Appropriations:						
Beginning balance	1,010,409	7,643,564	8,653,973	1,213,189	8,563,101	9,776,290
Budgetary Financing Sources:						
Appropriations received (Note 1U)	3,879,582	61,003,496	64,883,078	2,404,596	13,319,232	15,723,828
Appropriations transferred-in/(out)	4,916	2,022,133	2,027,049	(6)	28,006	28,000
Other adjustments	(107,252)	(9,657)	(116,909)	(25,086)	(45,821)	(70,907)
Appropriations used	(3,574,704)	(20,234,151)	(23,808,855)	(2,582,284)	(14,220,954)	(16,803,238)
Total budgetary financing sources	202,542	42,781,821	42,984,363	(202,780)	(919,537)	(1,122,317)
Total unexpended appropriations	1,212,951	50,425,385	51,638,336	1,010,409	7,643,564	8,653,973
Net position	\$ 23,694,619	\$ 60,880,598	\$ 84,575,217	\$ 26,954,452	\$ 19,596,678	\$ 46,551,130

The accompanying notes are an integral part of these financial statements.

U.S. Department of Transportation
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

	2009		2008	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources (Note 21):				
Unobligated balance, brought forward, October 1	\$ 45,806,953	\$ 240,230	\$ 46,511,710	\$ 332,405
Recoveries of prior year unpaid obligations	713,588	12,240	909,305	37,788
Budget authority:				
Appropriations received (Note 1U)	128,142,339	-	79,462,754	-
Borrowing authority	175,000	1,383,169	215,000	950,094
Contract authority	56,717,041	-	55,933,312	-
Spending authority from offsetting collections				
Earned				
Collected	2,435,351	202,488	2,182,754	507,519
Change in receivables from Federal sources	11,725	-	(66,642)	(188)
Change in unfilled customer orders				
Advance received	(25,133)	-	216,149	-
Without advance from Federal sources	49,115	47,617	(192,676)	33,973
Expenditure transfers from trust funds	5,284,320	-	6,447,419	-
Subtotal	192,789,758	1,633,274	144,198,070	1,491,398
Nonexpenditure transfers, net	2,003,700	-	2,000	-
Temporarily not available pursuant to Public Law	(2,251)	-	-	-
Permanently not available	(67,481,807)	(71,393)	(59,405,333)	(359,787)
Total budgetary resources	\$ 173,829,941	\$ 1,814,351	\$ 132,215,752	\$ 1,501,804
Status of Budgetary Resources:				
Obligations incurred:				
Direct	\$ 113,733,058	\$ 1,550,214	\$ 84,438,020	\$ 1,261,574
Reimbursable	2,103,199	-	1,970,779	-
Subtotal	115,836,257	1,550,214	86,408,799	1,261,574
Unobligated balance:				
Apportioned	49,012,606	8,947	26,059,115	4,796
Exempt from apportionment	276,374	-	299,415	-
Subtotal	49,288,980	8,947	26,358,530	4,796
Unobligated balance not available	8,704,704	255,190	19,448,423	235,434
Total status of budgetary resources	\$ 173,829,941	\$ 1,814,351	\$ 132,215,752	\$ 1,501,804

The accompanying notes are an integral part of these financial statements.

U.S. Department of Transportation
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2009 and 2008
(Dollars in Thousands)

	2009		2008	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Change in Obligated Balances:				
Obligated balance, net:				
Unpaid obligations, brought forward, October 1	\$ 80,075,300	\$ 1,850,080	\$ 76,707,884	\$ 2,017,708
Uncollected customer payments from Federal sources, brought forward, October 1	(1,444,636)	(169,268)	(1,707,556)	(135,484)
Total unpaid obligated balance, net	78,630,664	1,680,812	75,000,328	1,882,224
Obligations incurred	115,836,257	1,550,214	86,408,799	1,261,574
Gross outlays	(88,136,410)	(868,249)	(82,157,078)	(1,391,414)
Obligated balance transferred, net				
Unpaid obligations	25,000	-	25,000	-
Recoveries of prior year unpaid obligations, actual	(713,588)	(12,240)	(909,305)	(37,788)
Change in uncollected customer payments from Federal sources	(68,228)	(47,618)	262,920	(33,784)
Obligated balance, net, end of period:				
Unpaid obligations	107,086,559	2,519,805	80,075,300	1,850,080
Uncollected customer payments from Federal sources	(1,512,864)	(216,886)	(1,444,636)	(169,268)
Total unpaid obligated balance, net, end of period	\$ 105,573,695	\$ 2,302,919	\$ 78,630,664	\$ 1,680,812
Net Outlays:				
Net Outlays				
Gross outlays	\$ 88,136,410	\$ 868,249	\$ 82,157,078	\$ 1,391,414
Offsetting collections	(7,692,821)	(202,488)	(8,850,341)	(507,519)
Distributed offsetting receipts	(188,979)	(39,360)	(219,003)	(106,676)
Net outlays	\$ 80,254,610	\$ 626,401	\$ 73,087,734	\$ 777,219

The accompanying notes are an integral part of these financial statements.



NOTES TO PRINCIPAL STATEMENTS

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies:

A. Reporting Entity:

The Department of Transportation (DOT or Department) serves as the focal point in the Federal Government's coordinated national transportation policy. It is responsible for helping cities and States meet their local transportation needs through financial and technical assistance, ensuring the safety of all forms of transportation; protecting the interests of consumers; promoting international transportation agreements; and conducting planning and research for the future.

The Department is comprised of the Office of the Secretary and the DOT Operating Administrations, each having its own management and organizational structure, and collectively provides the necessary services and oversight to ensure the best transportation system possible. The Department's consolidated financial statements present the financial data for various trust funds, revolving funds, appropriations and special funds, of the following organizations:

Office of The Secretary (OST) [includes OST Working Capital Fund]
 Federal Aviation Administration (FAA)
 Federal Highway Administration (FHWA)
 Federal Motor Carrier Safety Administration (FMCSA)
 Federal Railroad Administration (FRA)
 Federal Transit Administration (FTA)
 Maritime Administration (MARAD)
 National Highway Traffic Safety Administration (NHTSA)
 Office of Inspector General (OIG)
 Pipeline and Hazardous Materials Safety Administration (PHMSA)
 Research and Innovative Technology Administration (RITA) [includes Volpe National Transportation System Center]
 Surface Transportation Board (STB)

The Saint Lawrence Seaway Development Corporation (SLSDC) is also a DOT entity. However, since it is subject to separate reporting under the Government Corporation Control Act and the dollar value of its activities is not material to that of the Department, SLSDC's financial data is not included in the DOT consolidated financial statements. However, condensed information about SLSDC's financial position is presented in Note 24.

B. Basis of Presentation:

The consolidated financial statements have been prepared to report the Department's financial position and its results of operations as required by the Chief Financial Officers Act of 1990 (CFO Act) and Title IV of the Government Management Reform Act of 1994 (GMRA). The statements have been prepared from the DOT books and records in accordance with Office of Management and Budget (OMB) form and content requirements for entity financial statements and DOT's accounting policies and procedures. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets present agency assets and liabilities, and the resulting net position (which is the difference between the two amounts). Agency assets substantially include entity assets (those which are available for use by the agency). Non-entity assets (those which are managed by the agency but not available for use in its operations) are immaterial. Agency liabilities include both those covered by budgetary resources (funded) and those not covered by budgetary resources (unfunded).

The Consolidated Statements of Net Cost present the gross costs of programs less earned revenue to arrive at the net cost of operations for both the programs and the agency as a whole.

The Consolidated Statements of Changes in Net Position report beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending balances.

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available as well as their status at the end of the period. Recognition and measurement of budgetary information reported on this statement is based on budget terminology, definitions, and guidance in OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," dated August 2009.

Notes to the Financial Statements

Since DOT custodial activity is incidental to Departmental operations and is not considered material to the consolidated financial statements taken as a whole, a Statement of Custodial Activity has not been prepared. However, sources and dispositions of collections have been disclosed in Note 22 to the consolidated financial statements.

The Department is required to be in substantial compliance with all applicable accounting principles and standards established, issued, and implemented by the Federal Accounting Standards Advisory Board (FASAB), which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish Generally Accepted Accounting Principles (GAAP) for the Federal Government. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires the Department to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the U.S. Government Standard General Ledger requirements at the transaction level.

C. Budgets and Budgetary Accounting:

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular No. A-11, "Preparation, Submission, and Execution of the Budget," dated August 2009. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, Congress provides appropriations to each Operating Administration within DOT to incur obligations in support of agency programs. For FY 2009 and FY 2008, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity and borrowing authority. DOT recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and trust fund transfers.

Programs are financed from authorizations enacted in authorizing legislation and codified in Title 23 of the United States Code (U.S.C.). The DOT receives its budget authority in the form of contract authority and direct appropriations. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts. Subsequently, Congress provides an appropriation for the liquidation of the contract authority to allow payments to be made for the obligations incurred. Funds apportioned by statute under Titles 23 and 49 of the U.S.C., Subtitle III by the Secretary of Transportation for activities in advance of the liquidation of appropriations are available for a specific time period.

D. Basis of Accounting:

Transactions are generally recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All material intra-departmental transactions and balances have been eliminated for presentation on a consolidated basis. However, the Statement of Budgetary Resources is presented on a combined basis, in accordance with OMB Circular A-136.

Intragovernmental transactions and balances result from exchange transactions made between DOT and another Federal government reporting entity, while those classified as "with the public" result from exchange transactions between DOT and non-federal entities. For example, if DOT purchases goods or services from the public and sells them to another Federal entity, the costs would be classified as "with the public," but the related revenues would be classified as "intragovernmental." This could occur, for example, when DOT provides goods or services to another Federal government entity on a reimbursable basis. The purpose of this classification is to enable the Federal government to prepare consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

DOT accounts for earmarked funds separately from other funds.

E. Funds with the U.S. Treasury and Cash:

DOT does not generally maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The funds with the U.S. Treasury are appropriated, revolving, and trust funds that are available to pay current liabilities and finance authorized purchases. Lockboxes have been established with financial institutions to collect certain payments, and these funds are transferred directly to Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

Notes to the Financial Statements

F. Investments in U.S. Government Securities:

Investments that consist of U.S. Government Securities are reported at cost and adjusted for amortized cost net of premiums or discounts. Premiums or discounts are amortized into interest income over the term of the investment using the interest or straight-line method. The Department's intent is to hold investments to maturity. Investments, redemptions, and reinvestments are controlled and processed by the Department of the Treasury. The market value is calculated by multiplying the total number of shares by the market price on the last day of the fiscal year.

G. Receivables:

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities. Amounts due from the public are presented net of an allowance for loss on uncollectible accounts, which is based on historical collection experience and/or an analysis of the individual receivables.

Loans are accounted for as receivables after funds have been disbursed. For loans obligated prior to October 1, 1991, loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on past experience, present market conditions, and an analysis of outstanding balances. Loans obligated after September 30, 1991, are reduced by an allowance equal to the present value of the subsidy costs (resulting from the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

H. Inventory and Related Operating Materials and Supplies:

Inventory primarily consists of supplies that are for sale or used in the production of goods for sale. Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. Valuation methods for supplies on hand at year-end include historical cost, last acquisition price, standard price/specific identification, standard repair cost, weighted average, and moving weighted average. Expenditures or expenses are recorded when the materials and supplies are consumed or sold. Adjustments for the proper valuation of reparable, excess, obsolete, and unserviceable items are made to appropriate allowance accounts.

I. Property and Equipment:

DOT agencies have varying methods of determining the value of general purpose property and equipment and how it is depreciated. DOT currently has a capitalization threshold of \$200,000 for structures and facilities and for internal use software, and \$25,000 for other property, plant and equipment. Capitalization at lesser amounts is permitted. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect costs as accumulated by the regional project material system. The system accumulates costs by project number assigned to the equipment or facility being constructed. The straight line method is generally used to depreciate capitalized assets.

DOT's heritage assets, consisting of Union Station in Washington, DC, the Nuclear Ship *Savannah* and collections of maritime artifacts, are considered priceless and are not capitalized in the Consolidated Balance Sheets (See Note 9).

J. Prepaid and Deferred Charges:

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses or capitalized, as appropriate, when the related goods and services are received.

Notes to the Financial Statements

K. Liabilities:

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred which are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

L. Contingencies:

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimatable). DOT recognizes material contingent liabilities in the form of claims, legal actions, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

M. Annual, Sick, and Other Leave:

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. For each bi-weekly pay period, the balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements, including the National Air Traffic Controllers Association (NATCA) agreement, Article 25, Section 13. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned and not taken. Nonvested leave is expensed when used.

N. Retirement Plan:

For DOT employees who participate in the Civil Service Retirement System (CSRS), DOT contributes a matching contribution equal to 7 percent of pay. On January 1, 1987, FERS went into effect pursuant to Public Law (P.L.) 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired since December 31, 1983, DOT also contributes the employer's matching share for Social Security.

Employing agencies are required to recognize pensions and other post retirement benefits during the employees' active years of service. Reporting the assets and liabilities associated with such benefit plans is the responsibility of the administering agency, the Office of Personnel Management (OPM). Therefore, DOT does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

O. Federal Employees Health Benefit (FEHB) Program:

Most Department employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the entire service cost of these post-retirement benefits for covered employees as an imputed cost and an imputed financing source.

Notes to the Financial Statements

P. Federal Employees Group Life Insurance (FGLI) Program:

Most Department employees are entitled to participate in the FGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and the Department pays one-third of the cost. OPM administers this program and is responsible for the reporting of liabilities. OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage each fiscal year. Because OPM fully allocates the Department's contributions for basic life coverage to the pre-retirement portion of coverage, the Department has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and an imputed financing source.

Q. Federal Employee Compensation Benefits (FECA):

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the Federal Employees' Compensation Act (FECA). The actual costs incurred are reflected as a liability because DOT will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used to reimburse DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under FECA.

R. Environmental and Disposal Liabilities:

DOT recognizes two types of environmental liabilities: unfunded environmental remediation and unfunded asset disposal liability. The liability for environmental remediation is an estimate of costs necessary to bring a known contaminated site into compliance with applicable environmental standards. The asset disposal liability includes both the cost to remove and dismantle an asset when that asset is no longer in service and the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous materials. DOT estimates the environmental remediation and asset disposal costs at the time a DOT-owned asset is placed in service.

Estimating the Department's environmental remediation liability requires making assumptions about future activities and is inherently uncertain. Costs for estimates of environmental and disposal liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

S. Use of Estimates:

Management has made certain estimates and assumptions when reporting assets, liabilities, revenue, and expenses. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include the allocation of trust fund receipts by Treasury's Office of Tax Analysis (OTA), accruals of accounts and grants payable (including American Recovery and Reinvestment Act funds), accrued workers' compensation, and accrued legal, contingent, environmental and disposal liabilities.

T. Allocation Transfers:

DOT is a party to allocation transfers with other federal agencies as a transferring (parent) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequent obligations and outlays incurred by the receiving entity (child) are charged to this allocation account as the delegated activity is executed on the parent entity's behalf. Generally, all financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

DOT allocates funds, as the parent, to the following non-DOT Federal agencies in accordance with applicable public laws and statutes: Bureau of Indian Affairs, Bureau of Reclamation, U.S. Forest Service, National Park Service, Bureau of Land Management, Fish and Wildlife Service, Department of the Army, Appalachian Regional Commission, Tennessee Valley Authority, U.S. Army Corps of Engineers, Internal Revenue Service, Department of Housing and Urban Development, Denali Commission, Department of Navy, and Department of Energy.

Notes to the Financial Statements

U. Revenues and Other Financing Sources:

Earmarked Excise Tax Revenues (Nonexchange):

DOT receives funding needed to support its programs through non-exchange earmarked excise tax revenues related to the Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF).

Excise taxes collected are initially deposited to the general fund of the U.S. Treasury. The IRS does not receive sufficient information at the time the taxes are collected to determine how these payments should be distributed to specific earmarked funds. Therefore, the U.S. Treasury makes initial semi-monthly distributions to earmarked funds based on estimates prepared by OTA. These estimates are based on historical excise tax data applied to current excise tax receipts. When actual amounts are certified by the IRS, generally four months after each quarter-end, adjustments are made to the estimated amounts and the difference is adjusted as a transfer of resources to the HTF and AATF accounts.

The DOT September 30, 2009 financial statements reflect excise taxes certified by the IRS through June 30, 2009 and excise taxes estimated by OTA for the period July 1, 2009 to September 30, 2009 as specified by SFFAS Number 7, *Accounting for Revenue and Other Financing Sources*. Actual tax collections data for the quarter ended September 30, 2009 will not be available from the IRS until January 2010. Management does not believe that the actual tax collections for the quarter ended September 30, 2009 will be materially different than the OTA estimate, which would be recorded in the DOT's accounting system.

Appropriations (Financing Source):

DOT receives annual, multi-year and no-year appropriations. Appropriations are recognized as revenues when related program and administrative expenses are incurred. Additional amounts are obtained from offsetting collections and user fees (e.g., landing and registry fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is received from gifts of donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans and cash disbursements to banks. Interest income is recognized as revenue on the accrual basis rather than when received.

American Recovery and Reinvestment Act:

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act (ARRA), which designated over \$48 billion to the DOT operating administrations. The funding was provided to Federal Highway Administration, the Federal Transit Administration, the Federal Rail Administration, the Office of Secretary Administration and the Maritime Administration. These funds were designated to invest in transportation infrastructure, including transit capital assistance, high speed rail, pavement improvements and bridge repair, as well as to preserve and create jobs, and promote economic recovery that will provide long term economic benefits. As of September 30, 2009, the Department had obligated \$29.5 billion and disbursed \$3.6 billion.

Consumer Assistance to Recycle and Save Act:

On June 24, 2009, the President signed into law the Consumer Assistance to Recycle and Save Act (CARS), initiating the program which designated \$3 billion to the National Highway Traffic Safety Administration to accelerate motor fuel savings nationwide and provide incentives to registered owners of high polluting automobiles to replace such automobiles with new fuel efficient and less polluting automobiles. As of September 30, 2009, the Department had obligated and disbursed all valid requests for reimbursement.

V. Fiduciary Activities:

Fiduciary assets and liabilities are not assets and liabilities of the Department and as such are not recognized on the balance sheet. In accordance with the provisions of the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 31, Accounting for Fiduciary Activities, this activity is reported separately in a note disclosure. This new requirement became effective for reporting periods beginning on or after October 1, 2008. In accordance with SFFAS No. 31, prior year information is not displayed in the initial year of implementation. The Maritime Administration Title XI Escrow Fund contains fiduciary activity (See Note 25 for specific required disclosures).

W. Reclassifications:

Certain reclassifications were made to the FY 2008 consolidated financial statement presentation to conform to that used in FY 2009.

Notes to the Financial Statements

X. Related Parties

The Secretary of Transportation has possession of all the preferred stock shares (109,396,994) of the National Railroad Passenger Service Corporation (more commonly referred to as Amtrak). Congress through the Department continues to fund Amtrak since 1981; originally through the purchase of preferred stock and then through grants after 1997. The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights and eliminating the preferred stock's liquidation over the common stock. The Act also eliminated further issuance of preferred stock to the Department. The Department does not record the Amtrak stock in its financial statements because it is not publicly traded and no fair market value can be placed on it.

Amtrak is not a department, agency or instrumentality of the United States Government or the Department. The nine members of Amtrak's Board of Directors are appointed by the President of the United States and are subject to confirmation by the United States Senate. Once appointed, Board Members, as a whole, act independently without the consent of the United States government or any of its officers to set Amtrak policy, determine its budget and decide operational issues. The Secretary of Transportation is statutorily appointed to the nine member Board. Traditionally, the Secretary of Transportation has designated the Administrator of the Federal Rail Administration to represent the Secretary at Board meetings (See Note 17).

Notes to the Financial Statements

Note 2. Fund Balance with Treasury:

Fund Balances:

	2009	2008
Trust Funds	\$ 3,669,004	\$ 6,283,435
Revolving Funds	764,682	636,287
General Funds	57,900,427	14,831,421
Other Fund Types	351,670	323,611
Total	\$ 62,685,783	\$ 22,074,754

Status of Fund Balance with Treasury:

Unobligated balance:		
Available	\$ 30,866,347	\$ 7,453,124
Unavailable	2,294,653	2,380,690
Obligated balance not yet disbursed	29,473,421	12,021,987
Non-Budgetary Fund Balance with Treasury	51,362	218,953
Total	\$ 62,685,783	\$ 22,074,754

Fund Balances with Treasury are the aggregate amounts of the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. Other Fund Types include uncleared suspense accounts, which temporarily hold collections pending clearance to the applicable account, and deposit funds, which are established to record amounts held temporarily until ownership is determined.

The U.S. Treasury processes cash receipts and disbursements. DOT receives appropriations as budget authority, which permits it to incur obligations and make outlays (payments). In addition, DOT also receives contract authority to permit the incurrence of obligations in advance of an appropriation. The contract authority is subsequently replaced with the appropriation or the spending authority from offsetting collections to first cover and then liquidate the obligations. As a result, DOT does not have typical Fund Balance with Treasury amounts as funds remain invested in securities until needed to make payments.

Notes to the Financial Statements

Note 3. Investments:

As of September 30, 2009

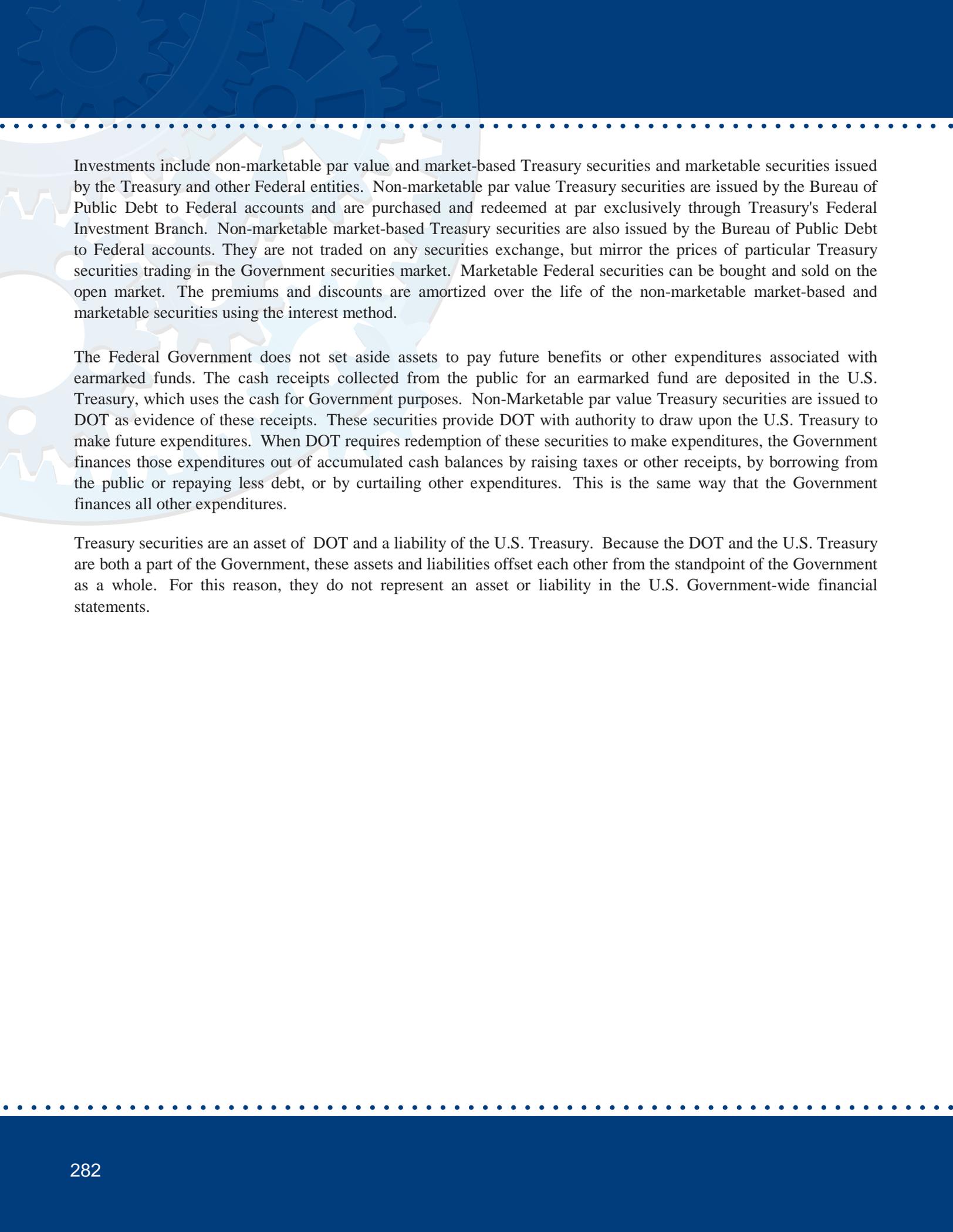
	Cost	Amortized (Premium) Discount	Investments (Net)	Market Value Disclosure
Intragovernmental Securities:				
Marketable	\$ 29,405	\$ 122	\$ 29,527	\$ 29,803
Non-Marketable Par Value	19,313,905	-	19,313,905	19,313,905
Non-Marketable Market-Based	1,289,850	(6,770)	1,283,080	1,317,582
Subtotal	20,633,160	(6,648)	20,626,512	20,661,290
Accrued Interest	57,969	-	57,969	
Total Intragovernmental Securities	\$ 20,691,129	\$ (6,648)	\$ 20,684,481	\$ 20,661,290

As of September 30, 2008

	Cost	Amortized (Premium) Discount	Investments (Net)	Market Value Disclosure
Intragovernmental Securities:				
Marketable	\$ 41,403	\$ 650	\$ 42,053	\$ 42,594
Non-Marketable Par Value	20,484,837	-	20,484,837	20,484,837
Non-Marketable Market-Based	1,087,268	(533)	1,086,735	1,120,012
Subtotal	21,613,508	117	21,613,625	21,647,443
Accrued Interest	85,906	-	85,906	
Total Intragovernmental Securities	\$ 21,699,414	\$ 117	\$ 21,699,531	\$ 21,647,443

Securities with the Public:

Marketable	\$ 28,535	\$ (250)	\$ 28,285	\$ 28,355
Subtotal	28,535	(250)	28,285	28,355
Accrued Interest	422		422	
Total Securities with the Public	\$ 28,957	\$ (250)	\$ 28,707	\$ 28,355



Investments include non-marketable par value and market-based Treasury securities and marketable securities issued by the Treasury and other Federal entities. Non-marketable par value Treasury securities are issued by the Bureau of Public Debt to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Non-marketable market-based Treasury securities are also issued by the Bureau of Public Debt to Federal accounts. They are not traded on any securities exchange, but mirror the prices of particular Treasury securities trading in the Government securities market. Marketable Federal securities can be bought and sold on the open market. The premiums and discounts are amortized over the life of the non-marketable market-based and marketable securities using the interest method.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited in the U.S. Treasury, which uses the cash for Government purposes. Non-Marketable par value Treasury securities are issued to DOT as evidence of these receipts. These securities provide DOT with authority to draw upon the U.S. Treasury to make future expenditures. When DOT requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

Treasury securities are an asset of DOT and a liability of the U.S. Treasury. Because the DOT and the U.S. Treasury are both a part of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or liability in the U.S. Government-wide financial statements.

Notes to the Financial Statements

Note 4. Accounts Receivable:

	Gross Amount Due	Allowance for Uncollectible Amounts	Net Amount Due
As of September 30, 2009			
Intragovernmental:			
Accounts Receivable	\$ 285,717	\$ -	\$ 285,717
Accrued Interest	31	-	31
Total Intragovernmental	285,748	-	285,748
Public:			
Accounts Receivable	123,909	(25,405)	98,504
Accrued Interest	909	(407)	502
Total Public	124,818	(25,812)	99,006
Total Receivables	\$ 410,566	\$ (25,812)	\$ 384,754

	Gross Amount Due	Allowance for Uncollectible Amounts	Net Amount Due
As of September 30, 2008			
Intragovernmental:			
Accounts Receivable	\$ 235,620	\$ -	\$ 235,620
Accrued Interest	18	-	18
Total Intragovernmental	\$ 235,638	\$ -	\$ 235,638
Public:			
Accounts Receivable	85,141	(17,722)	67,419
Accrued Interest	896	(463)	433
Total Public	86,037	(18,185)	67,852
Total Receivables	\$ 321,675	\$ (18,185)	\$ 303,490

Notes to the Financial Statements

Note 5. Other Assets:

	2009	2008
Intragovernmental:		
Advances and Prepayments	\$ 38,450	\$ 38,915
Total Intragovernmental	\$ 38,450	\$ 38,915
Public:		
Advances to States for Right of Way	\$ 101,084	\$ 91,529
Other Advances and Prepayments	154,778	90,646
Other	268	317
Total Public	\$ 256,130	\$ 182,492

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received and undistributed assets and payments for which DOT is awaiting documentation. Public Other Assets are comprised of advances to States, employees and contractors.

Notes to the Financial Statements

Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers:

The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups:

- (1) Pre-1992 - the direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees, and
- (2) Post-1991 - the direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees.

The Act provides that, for direct loan obligations or loan guarantee commitments made after FY 1991, the present value of subsequent subsidy costs (which arises from interest rate differentials, interest subsidies, delinquencies and defaults, fee offsets, and other cash flows) be recognized in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value. Foreclosed property is valued at the net realizable value. Loans receivable, net, or their value of assets related to direct loans, is not the same as the proceeds that would be expected to be received from selling the loans. DOT has calculated the allowance for pre-1992 loans using the allowance for loss method.

DOT administers the following direct loan and/or loan guarantee programs:

- (1) The Railroad Rehabilitation Improvement Program is used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, track, components of tract, bridges, yards, buildings, and shops; refinance outstanding debt incurred; and develop or establish new intermodal railroad facilities.
- (2) The Transportation Infrastructure Finance Innovation Act (TIFIA) Loan Program provides Federal credit assistance to major transportation investments of critical national importance such as highway, transit, passenger rail, certain freight facilities, and certain port projects with and national benefits. The TIFIA credit program is designed to fill market gaps and leverages substantial private co-investment by providing supplemental and subordinate capital.
- (3) The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified ship owners and shipyards. The guarantee provides the benefit long term financing at stable interest rates to the approved applicants.
- (4) The OST Minority Business Resource Center Guaranteed Loan Program helps small businesses gain access to the financing needed to in transportation-related contracts.

An analysis of loans receivable, allowance for subsidy costs, liability for loan guarantees, foreclosed property, modifications and reestimates associated with direct loans and loan guarantees is provided in the following sections:

Direct Loans

Obligated Prior to FY 1992 (Allowance for Loss Method)	2009 Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
<u>Direct Loan Programs</u>				
(1) Railroad Rehabilitation Improvement Program	\$ 7,053	\$ -	\$ -	\$ 7,053

Obligated After FY 1991	2009 Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
<u>Direct Loan Programs</u>				
(1) Railroad Rehabilitation Improvement Program	\$ 377,437	\$ 634	\$ (3,729)	\$ 374,342
(2) TIFIA Loans	1,879,727	-	(89,770)	1,789,957
Total	<u>\$ 2,257,164</u>	<u>\$ 634</u>	<u>\$ (93,499)</u>	<u>\$ 2,164,299</u>

Obligated Prior to FY 1992 (Allowance for Loss Method)	2008 Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
<u>Direct Loan Programs</u>				
(1) Railroad Rehabilitation Improvement Program	\$ 13,757	\$ 154	\$ -	\$ 13,911

Obligated After FY 1991	2008 Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
<u>Direct Loan Programs</u>				
(1) Railroad Rehabilitation Improvement Program	\$ 289,862	\$ 552	\$ (2,408)	\$ 288,006
(2) TIFIA Loans	1,488,123	-	(158,716)	1,329,407
Total	<u>\$ 1,777,985</u>	<u>\$ 552</u>	<u>\$ (161,124)</u>	<u>\$ 1,617,413</u>

Notes to the Financial Statements

Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers: (Cont.)

Total Amount of Direct Loans Disbursed (Post-1991)

<u>Direct Loan Programs</u>	<u>2009</u>	<u>2008</u>
(1) Railroad Rehabilitation Improvement Program	\$ 96,344	\$ 70,027
(2) TIFIA Loans	<u>317,164</u>	<u>1,079,316</u>
Total	<u>\$ 413,508</u>	<u>\$ 1,149,343</u>

Subsidy Expense for Direct Loans by Program and Component

Subsidy Expense for New Direct Loans Disbursed

<u>Direct Loan Programs</u>	2009		Fees and Other		Other	<u>Total</u>
	<u>Differential</u>	<u>Defaults</u>	<u>Collections</u>	<u>Subsidy Costs</u>		
(1) Railroad Rehabilitation Improvement Program	\$ -	\$ 2,297	\$ (2,297)	\$ -	\$ -	-
(2) TIFIA Loans	-	<u>49,078</u>	-	-	-	<u>49,078</u>
Total	<u>\$ -</u>	<u>\$ 51,375</u>	<u>\$ (2,297)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,078</u>

<u>Direct Loan Programs</u>	2008		Fees and Other		Other	<u>Total</u>
	<u>Differential</u>	<u>Defaults</u>	<u>Collections</u>	<u>Subsidy Costs</u>		
(1) Railroad Rehabilitation Improvement Program	\$ -	\$ -	\$ 1,409	\$ -	\$ -	\$ 1,409
(2) TIFIA Loans	-	<u>118,763</u>	-	-	-	<u>118,763</u>
Total	<u>\$ -</u>	<u>\$ 118,763</u>	<u>\$ 1,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 120,172</u>

Modifications and Re-estimates

<u>Direct Loan Programs</u>	2009		Total	
	<u>Modifications</u>	<u>Interest Rate Re-estimates</u>	<u>Technical Re-estimates</u>	<u>Re-estimates</u>
(1) Railroad Rehabilitation Improvement Program	\$ -	\$ -	\$ 986	\$ 986
(2) TIFIA Loans	-	-	<u>(111,685)</u>	<u>(111,685)</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110,699)</u>	<u>\$ (110,699)</u>

<u>Direct Loan Programs</u>	2008		Total	
	<u>Modifications</u>	<u>Interest Rate Re-estimates</u>	<u>Technical Re-estimates</u>	<u>Re-estimates</u>
(1) Railroad Rehabilitation Improvement Program	\$ -	\$ -	\$ 13,801	\$ 13,801
(2) TIFIA Loans	-	-	<u>11,944</u>	<u>11,944</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,745</u>	<u>\$ 25,745</u>

Total Direct Loan Subsidy Expense

<u>Direct Loan Programs</u>	<u>2009</u>	<u>2008</u>
(1) Railroad Rehabilitation Improvement Program	\$ 986	\$ 15,210
(2) TIFIA Loans	<u>(62,607)</u>	<u>130,707</u>
Total	<u>\$ (61,621)</u>	<u>\$ 145,917</u>

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

<u>Direct Loan Programs</u>	2009		Fees and Other		<u>Total</u>
	<u>Differential</u>	<u>Defaults</u>	<u>Collections</u>	<u>Other</u>	
(1) Railroad Rehabilitation Improvement Program	-1.28%	3.09%	-1.81%	0.00%	0.00%
(2) TIFIA Loans	<u>0.44%</u>	<u>10.06%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>10.50%</u>
Total	<u>-0.84%</u>	<u>13.15%</u>	<u>-1.81%</u>	<u>0.00%</u>	<u>10.50%</u>

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

Notes to the Financial Statements

Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers: (Cont.)

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

<u>Beginning Balance, Changes, and Ending Balance</u>	2009	2008
Beginning balance of the subsidy cost allowance	\$ 161,124	\$ 30,109
Add: subsidy expense for direct loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	51,375	118,763
Fees and other collections	(2,297)	1,409
Total of the above subsidy expense components	49,078	120,172
Adjustments:		
Subsidy allowance amortization	(8,301)	(14,902)
Other	2,297	-
Ending balance of the subsidy cost allowance before reestimates	204,198	135,379
Add or subtract subsidy reestimates by component:		
Technical/default reestimate	(110,699)	25,745
Total of the above reestimate components	(110,699)	25,745
Ending balance of the subsidy cost allowance	<u>\$ 93,499</u>	<u>\$ 161,124</u>

Notes to the Financial Statements

Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers: (Cont.)

Defaulted Guaranteed Loans from Post-1991 Guarantees

	2009 Defaulted Guaranteed Loans Receivable, <u>Gross</u>	Interest <u>Receivable</u>	Foreclosed <u>Property</u>	Allowance <u>for Subsidy</u>	Value of Assets Related to Default Guaranteed Loans <u>Receivable, Net</u>
<u>Loan Guarantee Programs</u>					
(3) Federal Ship Financing Fund (Title XI)	\$ 68,945	\$ 1,974	\$ 28,110	\$ (51,083)	\$ 47,946
	2008 Defaulted Guaranteed Loans Receivable, <u>Gross</u>	Interest <u>Receivable</u>	Foreclosed <u>Property</u>	Allowance <u>for Subsidy</u>	Value of Assets Related to Default Guaranteed Loans <u>Receivable, Net</u>
<u>Loan Guarantee Programs</u>					
(3) Federal Ship Financing Fund (Title XI)	\$ 43,680	\$ 600	\$ -	\$ (5,320)	\$ 38,960

Guaranteed Loans Outstanding

	Outstanding Principal of Guaranteed Loans, <u>Face Value</u>	Amount of Outstanding <u>Principal Guaranteed</u>
<u>Loan Guarantee Programs</u>		
(3) Federal Ship Financing Fund (Title XI)	\$ 2,441,098	\$ 2,441,098
(4) OST Minority Business Resource Center	3,500	2,625
Total	<u>\$ 2,444,598</u>	<u>\$ 2,443,723</u>

New Guaranteed Loans Disbursed

	2009 Outstanding Principal of Guaranteed Loans, <u>Face Value</u>	Amount of Outstanding <u>Principal Guaranteed</u>
<u>Loan Guarantee Programs</u>		
(3) Fed Ship Financing Fund (Title XI)	\$ 269,230	\$ 269,230
(4) OST Minority Business Resource Center	3,150	2,362
Total	<u>\$ 272,380</u>	<u>\$ 271,592</u>
	2008 Outstanding Principal of Guaranteed Loans, <u>Face Value</u>	Amount of Outstanding <u>Principal Guaranteed</u>
<u>Loan Guarantee Programs</u>		
(4) OST Minority Business Resource Center	\$ 2,600	\$ 1,950
Total	<u>\$ 2,600</u>	<u>\$ 1,950</u>

Liability for Loan Guarantees (Present Value Method Post-1991 Guarantees):

	2009 Liabilities for Post-1991 Guarantees, <u>Present Value</u>
<u>Loan Guarantee Programs</u>	
(3) Federal Ship Financing Fund (Title XI)	\$ 310,593
(4) OST Minority Business Resource Center	117
Total	<u>\$ 310,710</u>

Notes to the Financial Statements

Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers: (Cont.)

Subsidy Expense for Loan Guarantees by Program and Component

Subsidy Expense for New Loan Guarantees Disbursed

Loan Guarantee Programs	2009				Total
	Interest Supplements	Defaults	Fees and Other Collections	Other	
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ 31,257	\$ (15,669)	\$ -	\$ 15,588
(4) OST Minority Business Resource Center	-	58	-	-	58
Total	\$ -	\$ 31,315	\$ (15,669)	\$ -	\$ 15,646

Loan Guarantee Programs	2008				Total
	Interest Supplements	Defaults	Fees and Other Collections	Other	
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ 38,599	\$ (23,108)	\$ -	\$ 15,491
(4) OST Minority Business Resource Center	-	53	-	-	53
Total	\$ -	\$ 38,652	\$ (23,108)	\$ -	\$ 15,544

Modifications and Re-estimates

Loan Guarantee Programs	2009			
	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ -	\$ 51,761	\$ 51,761
(4) OST Minority Business Resource Center	-	-	(65)	(65)
Total	\$ -	\$ -	\$ 51,696	\$ 51,696

Loan Guarantee Programs	2008			
	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ -	\$ (106,400)	\$ (106,400)
(4) OST Minority Business Resource Center	-	-	(153)	(153)
Total	\$ -	\$ -	\$ (106,553)	\$ (106,553)

Total Loan Guarantee Subsidy Expense

Loan Guarantee Programs	2009	2008
(3) Federal Ship Financing Fund (Title XI)	\$ 67,349	\$ (90,909)
(4) OST Minority Business Resource Center	(7)	(100)
Total	\$ 67,342	\$ (91,009)

Budget Subsidy Rates for Loan Guarantees for the Current Year Cohort

Loan Guarantee Programs	2009				Total
	Interest Supplements	Defaults	Fees and Other Collections	Other	
(3) Federal Ship Financing Fund (Title XI)	0.00%	11.14%	-4.89%	0.00%	6.25%
(4) OST Minority Business Resource Center	0.00%	1.86%	0.00%	0.00%	1.86%
Total	0.00%	13.00%	-4.89%	0.00%	8.11%

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

Notes to the Financial Statements

Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers: (Cont.)

Schedule for Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

<u>Beginning Balance, Changes, and Ending Balance</u>	<u>2009</u>	<u>2008</u>
Beginning Balance of the loan guarantee liability	\$ 258,050	\$ 336,626
Add: subsidy expense for guaranteed loans disbursed during the reporting years by component:		
Default costs (net of recoveries)	31,315	38,652
Fees and other collections	(15,669)	(23,108)
Other subsidy costs	-	-
Total of the above subsidy expense components	<u>15,646</u>	<u>15,544</u>
Adjustments:		
Fees Received	16,541	-
Foreclosed Property and Loans Acquired	9,875	-
Claim Payments to Lenders	(52,837)	-
Interest accumulation on the liability balance	13,752	11,910
Other	<u>(2,013)</u>	<u>523</u>
Ending balance of the loan guarantee liability before reestimates	259,014	364,603
Add or subtract subsidy reestimates by component:		
Technical/default reestimate	<u>51,696</u>	<u>(106,553)</u>
Total of the above reestimate components	<u>51,696</u>	<u>(106,553)</u>
Ending balance of the loan guarantee liability	<u>\$ 310,710</u>	<u>\$ 258,050</u>

Interest on the loans is accrued based on the terms of the loan agreement. DOT does not accrue interest on non-performing loans that have filed for bankruptcy protection. DOT management considers administrative costs to be insignificant.

The upward reestimate on the Federal Ship Financing Fund (Title XI) was a result of significant the reassessment of risk levels on high risk loans. The economic assumptions of the TIFIA upward and downward re-estimates were the result of a reassessment of risk levels as well as estimated changes in future cash flows on loans. The Railroad Rehabilitation Improvement Program's upward reestimate was a result of an update for change in the discount rate between time of loan obligation and disbursement and an update for actual cash flows and changes in technical assumptions.

The downturn in economy has led to volatility in financial markets which could affect loan repayments under direct and loan guarantee programs. Under the Federal Credit Reform Act, upward reestimates are automatically covered by permanent indefinite budget authority, which ensures DOT will have sufficient resources to cover any losses incurred in its existing portfolio without further action by Congress. DOT continues to evaluate the risks to affected markets in light of evolving economic conditions, but the impact of such risks on DOT's loan and loan guarantee portfolio reserves, if any, cannot be fully known at this time. The sufficiency of DOT's portfolio reserves at September 30, 2009 will largely depend on future economic and market conditions and could differ from current estimates.

Notes to the Financial Statements

Note 7. Inventory and Related Property:

As of September 30, 2009

	Cost	Allowance for Loss	Net
Inventory:			
Inventory Held for Current Sale	\$ 96,485	(84)	\$ 96,401
Excess, Obsolete and Unserviceable Inventory	4,984	(4,984)	-
Inventory Held for Repair	493,356	(99,909)	393,447
Raw Materials	23,410	(10,591)	12,819
Total Inventory	\$ 618,235	(115,568)	\$ 502,667
Operating Materials and Supplies:			
Items Held for Use	\$ 184,334	(1,881)	\$ 182,453
Items Held in Reserve for Future Use	90,797	(165)	90,632
Excess, Obsolete and Unserviceable Items	411	(411)	-
Items Held for Repair	40,764	(19,206)	21,558
Total Operating Materials & Supplies	\$ 316,306	(21,663)	\$ 294,643
Total Inventory and Related Property			\$ 797,310

As of September 30, 2008

	Cost	Allowance for Loss	Net
Inventory:			
Inventory Held for Current Sale	\$ 82,350	(96)	\$ 82,254
Excess, Obsolete and Unserviceable Inventory	19,583	(19,583)	-
Inventory Held for Repair	487,117	(96,240)	390,877
Other	26,299	(10,591)	15,708
Total Inventory	\$ 615,349	(126,510)	\$ 488,839
Operating Materials and Supplies:			
Items Held for Use	\$ 229,430	(4,856)	\$ 224,574
Items Held in Reserve for Future Use	65,903	-	65,903
Excess, Obsolete and Unserviceable Items	526	(526)	-
Items Held for Repair	41,024	(17,972)	23,052
Total Operating Materials & Supplies	\$ 336,883	(23,354)	\$ 313,529
Total Inventory and Related Property			\$ 802,368

Notes to the Financial Statements

Note 8. General Property, Plant and Equipment:

As of September 30, 2009

Major Classes	Service Life	Acquisition Value	Accumulated Depreciation	Book Value
Land and Improvements	30	\$ 102,799	\$ (1,355)	\$ 101,444
Buildings and Structures	15-40	5,224,590	(2,813,668)	2,410,922
Furniture and Fixtures	15-20	68,760	(67,320)	1,440
Equipment	15-20	18,948,598	(10,580,619)	8,367,979
ADP Software	15-20	365,618	(280,080)	85,538
Assets Under Capital Lease	6-10	204,485	(96,036)	108,449
Leasehold Improvements	40	117,595	(52,435)	65,160
Aircraft	40	397,341	(328,503)	68,838
Ships and Vessels	11-20	1,911,639	(1,289,052)	350,077
Small Boats	20	23,032	(291,554)	3,988
Construction in Progress		2,849,639	-	2,849,639
Property Not in Use		176,282	(150,153)	26,129
Total		\$ 30,390,378	\$ (15,950,775)	\$ 14,439,603

As of September 30, 2008

Major Classes	Service Life	Acquisition Value	Accumulated Depreciation	Book Value
Land and Improvements	30	\$ 103,056	\$ (1,084)	\$ 101,972
Buildings and Structures	15-40	5,054,765	(2,665,384)	2,389,381
Furniture and Fixtures	15-20	67,509	(65,050)	2,459
Equipment	15-20	18,797,474	(9,843,868)	8,953,606
ADP Software	15-20	252,778	(208,227)	44,551
Assets Under Capital Lease	6-10	166,387	(125,137)	41,250
Leasehold Improvements	40	90,392	(43,519)	46,873
Aircraft	40	401,614	(314,282)	87,332
Ships and Vessels	11-20	1,656,764	(1,241,137)	415,627
Small Boats	20	17,724	(15,180)	2,544
Construction in Progress		2,409,108	-	2,409,108
Property Not in Use		95,013	(77,148)	17,865
Total		\$ 29,112,584	\$ (14,600,016)	\$ 14,512,568

Notes to the Financial Statements

Note 9. Stewardship Property, Plant and Equipment:**Personal Property Heritage Assets**

Implied within the Maritime Administration's mission is the promotion of the nation's rich maritime heritage. One aspect of this entails the collection, maintenance and distribution of maritime artifacts removed from agency-owned ships prior to their disposal. As ships are assigned to a non-retention status, artifact items are collected, inventoried, photographed and relocated to secure shore-side storage facilities. This resulting inventory is made available on a long-term loan basis to qualified organizations for public display purposes.

MARAD artifacts and other collections are generally on loan to single purpose memorialization and remembrance groups, such as AMVets and preservation societies. MARAD maintains a web-based inventory system that manages the artifact loan process. The program also supports required National Historical Preservation Act processing prior to vessel disposal. Funding for the maintenance of heritage items is typically the responsibility of the organization requesting the loan. The artifacts and other collections are composed of ships' operating equipment obtained from obsolete ships. The ships are inoperative and in need of preservation and restoration. As all items are durable and restorable, disposal is not a consideration. The artifacts and other collections are removed from inventory when returned to MARAD or destroyed while on loan. A total of 646 units of artifacts and other collections were collected as of September 30, 2009 and 658 units were collected as of September 30, 2008. There were 12 additions and 24 withdrawals of artifacts and other collections through September 30, 2009.

Real Property Heritage Assets

Washington's Union Station supports DOT's mobility mission, facilitating the movement of intercity and commuter rail passengers through the Washington DC metropolitan area. The Federal Railroad Administration (FRA) has an oversight role in the management of Washington's Union Station. FRA received title through legislation, and sublets the property to Union Station Venture Limited which manages the property.

Washington's Union Station is an elegant and unique turn-of-the-century rail station in which a wide variety of elaborate, artistic workmanship characteristic of the period is found. Union Station is listed on the National Register of Historic Places. The station consists of the renovated original building and a parking garage, which was added by the National Park Service.

The Nuclear Ship *Savannah* is the world's first nuclear-powered merchant ship. It was constructed as a joint project of the Maritime Administration and the Atomic Energy Commission (AEC) as a signature element of President Eisenhower's "Atoms for Peace" program. In 1965 the AEC issued a commercial operating license and ended its participation in the joint program. The ship remains licensed and regulated by the U.S. Nuclear Regulatory Commission (successor to the AEC). The Nuclear Ship *Savannah* is listed on the National Register of Historic Places. The ship is a boldly-styled passenger/cargo vessel powered by a nuclear reactor.

Actions taken by the Maritime Administration since 2006 have stabilized the ship and rehabilitated portions of its interior for work-day occupancy by staff and crew. The ship is currently located in Baltimore, MD, where it is being prepared for continued "SAFSTOR" (The NRC method of preparing nuclear facilities for storage and decontamination) retention under the provisions of its NRC license.

Notes to the Financial Statements

Note 10. Liabilities Not Covered by Budgetary Resources:

	2009	2008
Intragovernmental:		
Other Liabilities	\$ 345,840	\$ 364,516
Total Intragovernmental	345,840	364,516
Federal Employee Benefits Payable	975,442	984,710
Environmental and Disposal Liabilities (Note 13)	1,195,249	828,757
Other Liabilities	809,252	864,520
Total Liabilities Not Covered by Budgetary Resources	3,325,783	3,042,503
Total Liabilities Covered by Budgetary Resources	13,605,059	11,774,151
Total Liabilities	\$ 16,930,842	\$ 14,816,654

Notes to the Financial Statements

Note 11. Debt:

	2008 Beginning Balance	2008 Net Borrowing	2008 Ending Balance	2009 Net Borrowing	2009 Ending Balance
Intragovernmental Debt:					
Debt to the Treasury	\$ 1,038,303	\$ 722,458	\$ 1,760,761	\$ 715,612	\$ 2,476,373
Debt to the Federal Financing Bank	2,458	(234)	2,224	(249)	1,975
Total Intragovernmental Debt	\$ 1,040,761	\$ 722,224	\$ 1,762,985	\$ 715,363	\$ 2,478,348

Notes to the Financial Statements

Note 12. Federal Employee Benefits Payable:

	<u>2009</u>	<u>2008</u>
Intragovernmental Liability for FECA (Note 15)	\$ 227,241	\$ 221,586
Expected Future Liability for FECA	975,442	984,710
Total Federal Employee Benefits Payable	<u>\$ 1,202,683</u>	<u>\$ 1,206,296</u>

The Department of Labor calculates the FECA liability for DOT as a whole. FECA liabilities include the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The estimated liability is not covered by budgetary resources and thus will require future appropriated funding.

The intragovernmental FECA liability represents amounts billed to DOT by the DOL for FECA payments made on DOT's behalf. Funding for the liability will be provided by future appropriations. The intragovernmental amount is not an actuarial liability.

Notes to the Financial Statements

Note 13. Environmental and Disposal Liabilities:

	<u>September 30, 2009</u>		<u>September 30, 2008</u>
Public:			
Environmental Remediation	\$ 737,421	\$	464,081
Asset Disposal	457,828		364,676
Total Public	<u>\$ 1,195,249</u>	<u>\$</u>	<u>828,757</u>

Environmental remediation generally occurs under the Resource Conservation and Recovery Act of 1976 (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund), or the Toxic Substances Control Act (TSCA). Environmental remediation includes the fuel storage tank program, fuels, solvents, industrial, and chemicals, and other environmental cleanup activities associated with normal operations or the result of an accident. Cost estimates for environmental cleanup and asset disposal liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

As of September 30, 2009 and 2008, DOT's environmental remediation liability primarily includes the removal of contaminants on the Nuclear Ship Savannah, containment of exfoliating ship paint for the non-retention ships in the National Defense Reserve Fleet (Fleet), and remediation at various sites managed by the FAA and MARAD.

The National Maritime Heritage Act requires that MARAD dispose of certain merchant vessels owned by the U.S. government, including non-retention ships in the Fleet. Residual fuel, asbestos, and solid polychlorinated biphenyls (PCB) sometimes exist onboard MARAD's non-retention ships. The asset disposal liability at September 30, 2009 includes the estimated cost of disposing 174 ships. In addition, FAA records an asset disposal liability upon the decommissioning of an asset to cover preparatory costs required to meet regulatory standards allowing for the safe disposition of the asset.

Notes to the Financial Statements

Note 14. Grant Accrual:

The grant accrual consists of an estimate of grantee expenses incurred but not yet paid by DOT. Grantees primarily include state and local governments and transit authorities.

Grant accruals by Operating Administration at September 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Federal Highway Administration	\$ 4,240,468	\$ 3,730,005
Federal Transit Administration	1,662,252	1,373,270
Federal Aviation Administration	775,734	642,041
Other	91,360	64,831
Total Grant Accrual	<u>\$ 6,769,814</u>	<u>\$ 5,810,147</u>

Notes to the Financial Statements

Note 15. Other Liabilities:

September 30, 2009:

	Non-Current	Current	Total
Intragovernmental:			
Advances and Prepayments	\$ 2,293,739	\$ 334,334	\$ 2,628,073
Accrued Pay and Benefits	36,878	90,594	127,472
FECA Billings (Note 12)	129,994	97,247	227,241
Uncleared Disbursements and Collections	-	156	156
Other Accrued Liabilities	37,123	72,917	110,040
Total Intragovernmental	\$ 2,497,734	\$ 595,248	\$ 3,092,982
Public:			
Other Accrued Unbilled Payments	\$ -	\$ 44,573	\$ 44,573
Advances and Prepayments	-	132,272	132,272
Accrued Pay and Benefits	109,053	729,507	838,560
Deferred Credits	-	53,612	53,612
Uncleared Disbursements and Collections	-	50	50
Legal Claims	10,004	41,374	51,378
Capital Leases	92,548	23,292	115,840
Other Custodial Liability	-	32,028	32,028
Other Accrued Liabilities	80,989	2,269	83,258
Total Public	\$ 292,594	\$ 1,058,977	\$ 1,351,571

The \$2.29 billion in the Non-Current Intragovernmental Advances and Prepayments for FY 2009 is recorded by the Federal Transit Administration and is the remaining advance from the Federal Emergency Management Agency (FEMA) for the construction of Lower Manhattan area in New York.

Notes to the Financial Statements

Note 15. Other Liabilities: (Cont.)

As of September 30, 2008:

Intragovernmental:

	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
Advances and Prepayments	\$ 2,554,413	\$ 232,447	\$ 2,786,860
Accrued Pay and Benefits	-	79,188	79,188
FECA Billings (Note 12)	126,117	95,469	221,586
Deferred Credits	-	458	458
Other Accrued Liabilities	92,427	82,604	175,031
Total Intragovernmental	<u>\$ 2,772,957</u>	<u>\$ 490,166</u>	<u>\$ 3,263,123</u>

Public:

Other Accrued Unbilled Payments	\$ -	\$ 50,177	\$ 50,177
Advances and Prepayments	-	60,101	60,101
Accrued Pay and Benefits	48,386	698,169	746,555
Deferred Credits	-	93,676	93,676
Legal Claims	2,901	109,787	112,688
Capital Leases	49,271	12,400	61,671
Other Custodial Liability	-	17,956	17,956
Other Accrued Liabilities	197,131	25,302	222,433
Total Public	<u>\$ 297,689</u>	<u>\$ 1,067,568</u>	<u>\$ 1,365,257</u>

Notes to the Financial Statements

Note 16. Leases:

ENTITY AS LESSEE:

Capital Leases:

	<u>2009</u>	<u>2008</u>
Summary of Assets Under Capital Lease by Category:		
Land, Buildings & Machinery	\$ 204,485	\$ 166,387
Accumulated Amortization	(96,036)	(125,137)
Net Assets Under Capital Lease	<u>\$ 108,449</u>	<u>\$ 41,250</u>

Future Payments Due:

Fiscal Year

Year 1 (2010)	\$ 15,769
Year 2 (2011)	14,765
Year 3 (2012)	11,586
Year 4 (2013)	8,977
Year 5 (2014)	8,698
After 5 Years (2015+)	96,254
Total Future Lease Payments	<u>\$ 156,049</u>
Less: Imputed Interest	40,209
Net Capital Lease Liability	<u><u>\$ 115,840</u></u>

The capital lease payments disclosed above relate to FAA and are authorized to be funded annually as codified in the United States Code - Title 49 - Section 40110(c)(1) which addresses general procurement authority. The remaining principal payments are recorded as unfunded lease liabilities. The imputed interest is funded and expensed annually.

Operating Leases:

Future Payments Due:

<u>Fiscal Year</u>	<u>Land, Buildings, Machinery & Other</u>
Year 1 (2010)	\$ 238,479
Year 2 (2011)	222,117
Year 3 (2012)	180,415
Year 4 (2013)	131,378
Year 5 (2014)	115,117
After 5 Years (2015+)	662,950
Total Future Lease Payments	<u><u>\$ 1,550,456</u></u>

Operating lease expense incurred during the years ended September 30, 2009 and 2008 was \$297 million and \$251 million, respectively, including General Services Administration (GSA) leases that have a short termination privilege; however, DOT intends to remain in the leases. Estimates of the lease termination dates are subjective, and any projection of future lease payments would be arbitrary.

Notes to the Financial Statements

Note 17. Commitments and Contingencies

Legal Claims:

As of September 30, 2009 and 2008, DOT's contingent liabilities, in excess of amounts accrued, for asserted and pending legal claims reasonably possible of loss were estimated at \$96.9 million and \$88.2 million, respectively. DOT does not have material amounts of known unasserted claims.

Grant Programs:

FHWA pre-authorizes states to establish construction budgets without having received appropriations from Congress for such projects. FHWA does not guarantee the ultimate funding to the states for these "Advance Construction" projects and, accordingly, does not obligate any funds for these projects. When funding becomes available to FHWA, the states can then apply for reimbursement of costs that they have incurred on such projects, at which time FHWA can accept or reject such requests. For the fiscal year ended September 30, 2009 and 2008, FHWA has pre-authorized \$41 billion and \$46.2 billion, respectively, under these arrangements. These commitments have not been recognized in the DOT consolidated financial statements at September 30, 2009 and 2008.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment program (New Starts) authorizing transit authorities to establish project budgets and incur costs with their own funds in advance of Congress appropriating New Starts funds to the project. As of September 30, 2009 and September 30, 2008, FTA had approximately \$4.2 billion and \$1.7 billion respectively, in funding commitments under FFGAs, which Congress had not yet appropriated. Congress must first provide the budget authority (appropriations) to allow FTA to incur obligations for these programs. Until Congress appropriates funds, FTA is not liable to grantees for any costs incurred. There is no liability related to these commitments reflected in the DOT consolidated financial statements at September 30, 2009 and 2008.

FAA's Airport Improvement Program provides grants for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. Eligible projects generally include improvements related to enhancing airport safety, capacity, security and environmental concerns. FAA's share of eligible costs for large and medium primary hub airports is 75 percent with the exception of noise program implementation, which is 80 percent of the eligible costs. For remaining airports (small primary, reliever, and general aviation airports), FAA's share is 95 percent of the eligible costs.

FAA has authority under 49 U.S.C. 47110(e) to issue letters of intent to enter into Airport Improvement Program grant agreements. FAA records an obligation when a grant is awarded. Through September 30, 2009, FAA issued letters of intent covering FY 1988 through FY 2020 totaling \$5.9 billion. As of September 30, 2009, FAA had obligated \$4.9 billion of this total amount leaving \$1.0 billion unobligated. Through September 30, 2008, FAA issued letters of intent covering FY 1988 through FY 2020 totaling \$5.7 billion. As of September 30, 2008, FAA had obligated \$4.6 billion of this total amount, leaving \$1.1 billion unobligated.

Contract Options and Negotiations:

As of September 30, 2009 and 2008, FAA had contract options of \$10.2 billion and \$3.7 billion, respectively. These contract options give FAA the unilateral right to purchase additional equipment or services or to extend the contract terms. Exercising this right would require the obligation of funds in future years.

Aviation Insurance Program:

FAA is authorized to issue hull and liability insurance under the Aviation Insurance Program for air carrier operations for which commercial insurance is not available on reasonable terms and when continuation of U.S. flag commercial air service is necessary in the interest of air commerce, national security, and U.S. foreign policy. FAA may issue (1) non-premium insurance, and (2) premium insurance for which a risk-based premium is charged to the air carrier, to the extent practical.

Notes to the Financial Statements

Note 17. Commitments and Contingencies: (Cont.)

Aviation Insurance Program Continued:

During FY 2009, FAA provided premium war-risk insurance to 63 airlines. For these airlines, combined hull and liability per occurrence coverage limits range from \$100 million to \$4 billion. FAA also provided non-premium war-risk insurance to 36 carriers with 1,593 aircraft for Department of Defense charter operations for Central Command and standby non-premium war-risk insurance policies for 6 carriers for State Department charter operations.

As of September 30, 2009, there are no pending aviation insurance claims. There is approximately \$1.3 billion available in the Aviation Insurance Revolving Fund to pay claims to carriers covered by premium insurance. If premium insurance claims should exceed that amount, additional funding could be appropriated from the General Fund. The Department of Defense and State Department have agreed to pay claims to the carriers covered by non-premium insurance.

Environmental Liabilities:

As of September 30, 2009, FAA has estimated contingent liabilities, categorized as reasonably possible of \$202.2 million related to environmental remediation. Contingency costs are defined for environmental liabilities as those costs that may result from incomplete design, unforeseen and unpredictable conditions or uncertainties within a defined project scope.

National Railroad Passenger Service Corporation (Amtrak)

The United States and the Department are not at risk if Amtrak fails and they do not guarantee the indebtedness of Amtrak, whose debt is secured primarily by assets of the corporation. Amtrak has been operating with an accumulated deficit and is dependent upon appropriations from Congress to continue operations. Amtrak has been receiving federal funds from Congress through the Department since 1981. For FY 2009 and FY 2008, the Department issued grants to Amtrak for \$1.5 billion and \$1.3 billion, respectively. These grants were for both operating and capital improvements. Refer to Note 1X (Significant Accounting Policies) for additional disclosure.

Notes to the Financial Statements

Note 18. Earmarked Funds:

DOT administers certain earmarked funds, which are specifically identified revenues, often supplemented by other financing sources, that remain available over time. No new legislation was enacted as of September 30, 2009 that significantly changed the purpose of the earmarked funds or redirected a material portion of the accumulated balance. Descriptions of the significant earmarked funds are as follows:

Highway Trust Fund

The Highway Trust Fund (HTF) is comprised of the Highway Corpus Trust Fund and certain accounts of the Federal Highway Administration, Federal Motor Carrier Safety Administration, Federal Transit Administration, Federal Railroad Administration and the National Highway Traffic Safety Administration. The HTF was created in 1956 by the Highway Revenue Act of 1956 with the main objective of funding the construction of the Dwight D. Eisenhower System of Interstate and Defense Highways. Over the years, the use of the fund has been expanded to include mass transit and other surface transportation programs such as highway safety and motor carrier safety programs. Overall, there are 73 separate treasury symbols in the HTF.

HTF's programs and activities are primarily financed from excise taxes collected on specific motor fuels, truck taxes, and fines and penalties. The Highway Revenue Act of 1982 established two accounts within the HTF, the Highway Account and the Mass Transit Account. In August 2009 and September 2008, Congress appropriated \$7 billion and \$8 billion respectively for transfer from the Treasury General Fund to the HTF Highway Account to alleviate the cash shortfall created by increases in fuel prices, and corresponding declines in gas tax revenues.

Airport and Airway Trust Fund

The Airport and Airway Trust Fund (AATF) was authorized by the Airport and Airway Revenue Act of 1970 to provide funding for the Federal commitment to the nation's aviation system and typically includes annual funding for four distinct areas within FAA: Operations; Grant in Aid for Airports; Facilities and Equipment; and Research, Engineering and Development.

Funding currently comes from several aviation related excise tax collections from passenger tickets, passenger flight segments, international arrivals/departures, cargo waybills and aviation fuels.

Notes to the Financial Statements

Note 18. Earmarked Funds: (Cont.)

Mass Transit Account

In FY 2005 and prior, FTA's formula and bus grant programs were funded 80 percent by certain earmarked excise tax revenues and 20 percent from the Treasury general receipts account. These funds are considered earmarked but not reported as part of the HTF.

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation (PL 109-59) changed the way FTA programs are funded. Beginning in FY 2006, the FTA formula and bus grant programs are funded 100 percent by the HTF.

The following is a list of other earmarked funds for which the DOT has program management responsibility:

Other Earmarked Funds

- Aviation Insurance Revolving Fund
- Pipeline Safety
- Emergency Preparedness Grant
- Aviation User Fees
- Essential Air Service and Rural Airport Improvement Fund
- University Transportation Centers
- Contributions for Highway Research Program
- Cooperative Work, Forest Highways
- Safety of Cross-Border Trucking Between the United States and Mexico
- Payment to Air Carriers
- Right of Way Revolving Fund Program Account
- Alaska Pipeline Task Force, Oil Spill Liability Trust Fund
- Right-of-Way Revolving Fund Trust Fund
- Technical Assistance, United States Dollars Advanced from Foreign Governments
- Gifts and Bequests, Maritime Administration
- Special Studies, Services and Projects
- Gifts and Bequests, DOT Office of the Secretary
- Equipment, Supplies, etc., for Cooperating Countries

Notes to the Financial Statements

Note 18. Earmarked Funds:

	Highway Trust Fund	Airport & Airway Trust Fund	Mass Transit	Other Earmarked Funds	FY 2009 Total Earmarked
Balance Sheet as of September 30, 2009					
Assets					
Fund Balance with Treasury	\$ 2,607,082	\$ (204,227)	\$ 1,385,079	\$ 3,084,552	\$ 6,872,486
Investments, Net	11,484,437	7,829,468	-	1,370,576	20,684,481
Accounts Receivable, Net	46,311	-	6,949	3,966,432	4,019,692
Property, Plant & Equipment	121,162	-	-	3,831	124,993
Other	383,634	46,290	957	3,591,674	4,022,555
Total Assets	\$ 14,642,626	\$ 7,671,531	\$ 1,392,985	\$ 12,017,065	\$ 35,724,207
Liabilities and Net Position					
Accounts Payable	\$ 130,897	\$ 3,722,213	\$ 401	\$ 452,581	\$ 4,306,092
FECA Liabilities	22,848	-	-	1,112,446	1,135,294
Grants Accrual	4,501,677	-	113,714	683,946	5,299,337
Other Liabilities	253,467	-	2,824	982,574	1,238,865
Unexpended Appropriations	-	-	41,793	1,171,158	1,212,951
Cumulative Results of Operations	9,733,737	3,899,318	1,234,253	7,614,360	22,481,668
Total Liabilities and Net Position	\$ 14,642,626	\$ 7,621,531	\$ 1,392,985	\$ 12,017,065	\$ 35,674,207
Statement of Net Cost For the Period Ended September 30, 2009					
Program Costs	\$ 44,758,237	\$ 11,783,177	\$ 747,099	\$ 3,190,332	\$ 60,478,845
Less Earned Revenue	92,806	-	5,332	531,178	629,316
Net Program Costs	44,665,431	11,783,177	741,767	2,659,154	59,849,529
Costs Not Attributable to Programs	-	-	-	137,700	137,700
Net Cost of Operations	\$ 44,665,431	\$ 11,783,177	\$ 741,767	\$ 2,796,854	\$ 59,987,229
Statement of Changes in Net Position For the Period September 30, 2009					
Beginning Net Position	\$ 12,435,464	\$ 4,822,612	\$ 2,017,018	\$ 7,679,358	\$ 26,954,452
Budgetary Financing Sources	42,150,918	10,859,883	795	3,821,301	56,832,897
Other Financing Sources	(187,214)	-	-	81,713	(105,501)
Net Cost of Operations	44,665,431	11,783,177	741,767	2,796,854	59,987,229
Change in Net Position	(2,701,727)	(923,294)	(740,972)	1,106,160	(3,259,833)
Net Position End of Period	\$ 9,733,737	\$ 3,899,318	\$ 1,276,046	\$ 8,785,518	\$ 23,694,619

Notes to the Financial Statements

Note 18. Earmarked Funds: (Cont.)

	Highway Trust Fund	Airport & Airway Trust Fund	Mass Transit	Other Earmarked Funds	FY 2008 Total Earmarked
Balance Sheet as September 30, 2008					
Assets					
Fund Balance with Treasury	\$ 4,005,470	\$ 848,372	\$ 2,157,264	\$ 3,196,326	\$ 10,207,432
Investments, Net	12,811,128	7,746,547	-	1,142,277	21,699,952
Accounts Receivable, Net	38,820	-	-	3,918,375	3,957,195
Property, Plant & Equipment	112,119	-	-	3,794	115,913
Other	380,932	-	777	2,579,181	2,960,890
Total Assets	\$ 17,348,469	\$ 8,594,919	\$ 2,158,041	\$ 10,839,953	\$ 38,941,382
Liabilities and Net Position					
Accounts Payable	\$ 51,774	\$ 3,772,307	\$ 2,039	\$ 315,627	4,141,747
FECA Liabilities	856,966	-	181	1,120,534	1,977,681
Grants Accrual	3,791,266	-	135,443	644,311	4,571,020
Other Liabilities	212,999	-	3,360	1,080,123	1,296,482
Unexpended Appropriation	-	-	41,197	969,212	1,010,409
Cumulative Results of Operations	12,435,464	4,822,612	1,975,821	6,710,146	25,944,043
Total Liabilities and Net Position	\$ 17,348,469	\$ 8,594,919	\$ 2,158,041	\$ 10,839,953	\$ 38,941,382
Statement of Net Cost For the Period Ended September 31, 2008					
Program Costs	\$ 43,416,975	\$ 13,466,390	\$ 1,322,007	\$ 866,911	\$ 59,072,283
Less Earned Revenue	111,467	-	(15,330)	558,714	654,851
Net Program Costs	43,305,508	13,466,390	1,337,337	308,197	58,417,432
Costs Not Attributable to Programs	-	-	-	147,952	147,952
Net Cost of Operations	\$ 43,305,508	\$ 13,466,390	\$ 1,337,337	\$ 456,149	\$ 58,565,384
Statement of Changes in Net Position For the Period Ended September 31, 2008					
Beginning Net Position	\$ 11,293,841	\$ 6,046,786	\$ 3,357,240	\$ 7,068,083	\$ 27,765,950
Budgetary Financing Sources	44,414,017	12,242,216	(2,885)	2,449,990	59,103,338
Other Financing Sources	33,114	-	-	(1,382,566)	(1,349,452)
Net Cost of Operations	43,305,508	13,466,390	1,337,337	456,149	58,565,384
Change in Net Position	1,141,623	(1,224,174)	(1,340,222)	611,275	(811,498)
Net Position End of Period	\$ 12,435,464	\$ 4,822,612	\$ 2,017,018	\$ 7,679,358	\$ 26,954,452

Notes to the Financial Statements

Note 19. Intragovernmental Costs and Exchange Revenues:

	For the Period Ended September 30, 2009		
	Intra-governmental	With the Public	Total
Surface Transportation:			
Federal-Aid Highway Program:			
Gross Costs	\$ 105,064	\$ 35,789,451	\$ 35,894,515
Less Earned Revenue	32,448	39,807	72,255
Net Program Costs	72,616	35,749,644	35,822,260
Mass Transit Program			
Gross Costs	36,332	11,585,418	11,621,750
Less Earned Revenue	269,677	920	270,597
Net Program Costs	(233,345)	11,584,498	11,351,153
Other Surface Transportation Programs:			
Gross Costs	265,763	10,338,808	10,604,571
Less Earned Revenue	21,332	158,998	180,330
Net Program Costs	244,431	10,179,810	10,424,241
Total Surface Transportation Program Costs	83,702	57,513,952	57,597,654
Air Transportation:			
Gross Costs	2,440,109	14,428,796	16,868,905
Less Earned Revenue	244,329	335,654	579,983
Net Program Costs	2,195,780	14,093,142	16,288,922
Maritime Transportation:			
Gross Costs	61,761	1,051,911	1,113,672
Less Earned Revenue	378,111	6,874	384,985
Net Program Costs	(316,350)	1,045,037	728,687
Cross-Cutting Programs:			
Gross Costs	39,448	608,877	648,325
Less Earned Revenue	316,241	4,876	321,117
Net Program Costs	(276,793)	604,001	327,208
Costs not assigned to programs	85,041	281,000	366,041
Less: Earned Revenues not attributed to programs	15,640	(4,932)	10,708
Net Cost of Operations	\$ 1,755,740	\$ 73,542,064	\$ 75,297,804

Notes to the Financial Statements

Note 19. Intragovernmental Costs and Exchange Revenues: (Cont.)

	For the Period Ended September 30, 2008		
	Intra- governmental	With the Public	Total
Surface Transportation:			
Federal-Aid Highway Program:			
Gross Costs	\$ 261,106	\$ 35,462,448	\$ 35,723,554
Less Earned Revenue	4,541	63,819	68,360
Net Program Costs	<u>256,565</u>	<u>35,398,629</u>	<u>35,655,194</u>
Mass Transit Program			
Gross Costs	5,517	10,137,413	10,142,930
Less Earned Revenue	16,215	766	16,981
Net Program Costs	<u>(10,698)</u>	<u>10,136,647</u>	<u>10,125,949</u>
Other Surface Transportation Programs:			
Gross Costs	307,817	4,242,481	4,550,298
Less Earned Revenue	31,350	147,080	178,430
Net Program Costs	<u>276,467</u>	<u>4,095,401</u>	<u>4,371,868</u>
Total Surface Transportation Program Costs	<u>522,334</u>	<u>49,630,677</u>	<u>50,153,011</u>
Air Transportation:			
Gross Costs	2,251,497	13,662,170	15,913,667
Less Earned Revenue	27,663	353,883	381,546
Net Program Costs	<u>2,223,834</u>	<u>13,308,287</u>	<u>15,532,121</u>
Maritime Transportation:			
Gross Costs	19,364	687,285	706,649
Less Earned Revenue	282,959	208,611	491,570
Net Program Costs	<u>(263,595)</u>	<u>478,674</u>	<u>215,079</u>
Cross-Cutting Programs:			
Gross Costs	6,335	559,526	565,861
Less Earned Revenue	539,109	3,251	542,360
Net Program Costs	<u>(532,774)</u>	<u>556,275</u>	<u>23,501</u>
Cost not assigned to a program	129,209	256,921	386,130
Less: Earned Revenues not attributed to programs	<u>39,196</u>	<u>183</u>	<u>39,379</u>
Net Cost of Operations	<u>\$ 2,039,812</u>	<u>\$ 64,230,651</u>	<u>\$ 66,270,463</u>

Surface Transportation Program costs includes those operating costs incurred by the Operating Administrations authorized by SAFETEA-LU (FHWA, NHTSA, FMCSA, and FTA), plus the FTA, to promote safety and mobility of the nation's highways and railroads and among the nation's drivers and auto manufacturers.

Air Transportation Program costs include those operating costs incurred to promote aviation safety and mobility by building, maintaining, and operating the Nation's air traffic control system; overseeing commercial and general aviation safety through regulation and inspection; and providing assistance to improve the capacity and safety of our airports.

Maritime Transportation Program Costs include those operating costs incurred to promote the development and maintenance of a U.S. merchant marine that is sufficient to carry the Nation's domestic waterborne commerce, a substantial portion of which is trade with other nations, and to serve as a naval and military auxiliary in time of war and national emergency.

Cross-cutting Program costs include those operating costs incurred to provide goods and services on a reimbursable basis for those Operating Administrations whose mission is primarily cross modal.

Notes to the Financial Statements

Note 20. Excise Taxes and Other Non-Exchange Revenue:

The Internal Revenue Service (IRS) collects various excise taxes that are deposited in the HTF and AATF. Monthly, the United States Treasury, Office of Tax Analysis (OTA) estimates the amount collected/revenue recognized, and adjusts the estimates to reflect actual collections quarterly. The IRS submits certificates of actual tax collections to DOT three months after the quarter-end and, accordingly the DOT financial statements are adjusted to reflect such actual amounts at that time. Total taxes recognized for the year ended September 30, 2008 and 2007 includes OTA estimates as follows:

	<u>9/30/2008</u>	<u>9/30/2007</u>
Actual	12,861,000	13,569,000
Estimate	<u>13,047,000</u>	<u>13,372,000</u>
Under (Over) accrual	<u>(186,000)</u>	<u>197,000</u>

These differences were reflected as an adjustment in the DOT subsequent year's financial statements. During FY 2009, DOT continued to experience differences between its estimated and actual excise tax collections as follows:

	<u>12/31/08</u>	<u>3/31/2009</u>	<u>6/30/2009</u>
Actual	11,731,000	10,801,000	12,001,000
Estimate	<u>11,945,000</u>	<u>11,648,000</u>	<u>14,267,000</u>
Under (Over) accrual	<u>(214,000)</u>	<u>(847,000)</u>	<u>(2,266,000)</u>

Excise taxes estimated by OTA in the 1st, 2nd and 3rd quarters of FY 2009 exceeded amounts subsequently certified as actual by the IRS by \$214 million, \$847 million and \$2.2 billion, respectively. Total taxes recognized in DOT FY 2009 financial statement included the OTA estimate of \$12.4 billion for the quarter ended September 30, 2009.

The large downward adjustment for the 3rd quarter was the result of an inflated estimate distribution from Treasury. However, OTA modified its 4th quarter distribution calculation estimate of excise taxes for this matter. It is expected that this modification will minimize the variance between the 4th quarter FY 2009 estimate and corresponding subsequent IRS certified amount, expected to be reported in January 2010.

For the years ended September 30, 2009 and 2008, respectively, excise taxes and associated nonexchange revenue, which are reported on the Statement of Changes in Net Position, were as follows:

Non-Exchange Revenue:

Highway Trust Fund

Excise Taxes and Other Non-Exchange Revenue	<u>2009</u>	<u>2008</u>
Gasoline	\$ 24,626,848	\$ 25,325,646
Diesel and Special Motor Fuels	9,323,118	10,531,919
Trucks	3,166,825	2,870,560
Fines and Penalties	25,586	17,989
Total Taxes	<u>37,142,377</u>	<u>38,746,114</u>
Less: Transfers	<u>(1,135,367)</u>	<u>(1,305,069)</u>
Gross Taxes	<u>36,007,010</u>	<u>37,441,045</u>
Less: Refunds of Taxes	<u>(1,045,767)</u>	<u>(1,056,512)</u>
Total Excise Taxes	34,961,243	36,384,533
Other Non-Exchange Revenue	1,151	2,628
Net Highway Trust Fund Excise Taxes & Other Non-Exchange Revenue	<u>34,962,394</u>	<u>36,387,161</u>

Federal Aviation Administration

Excise Taxes and Other Non-Exchange Revenue:		
Passenger Ticket	7,465,647	8,260,611
International Departure	2,187,182	2,462,375
Fuel (Air)	556,570	624,493
Waybill	469,881	521,040
Investment Income	281,994	429,572
Tax Refunds and Credits	(110,034)	(55,957)
Other	34,532	36,626
Net Federal Aviation Administration Excise Taxes & Other Non-Exchange Revenue	<u>10,885,772</u>	<u>12,278,760</u>
Other Miscellaneous Net Non Exchange Revenue	31,505	18,429
Total Non-Exchange Revenue	<u>\$ 45,879,671</u>	<u>\$ 48,684,350</u>

Notes to the Financial Statements

Note 21. Combined Statement of Budgetary Resources:

The amount of direct and reimbursable obligations incurred against amounts apportioned under Category A, B and Exempt from apportionment, as defined in OMB Circular No. A-11, Part 4, Instructions on Budget Execution, are as follows:

	2009			2008		
	Direct	Reimbursable	Total	Direct	Reimbursable	Total
Category A	\$ 8,185,100	\$ 992,716	\$ 9,177,816	\$ 9,147,943	\$ 1,009,893	\$ 10,157,836
Category B	107,055,097	1,110,483	108,165,580	76,467,131	727,083	77,194,214
Exempt from apportionment	43,075	-	43,075	87,419	230,904	318,323
Total	\$ 115,283,272	\$ 2,103,199	\$ 117,386,471	\$ 85,702,493	\$ 1,967,880	\$ 87,670,373

	2009	2008
Available Contract Authority at year-end	\$ 28,959,336	\$ 26,974,765
Available Borrowing Authority at year-end	\$ 335,573	\$ 207,985
Undelivered Orders at year-end	\$ 101,592,347	\$ 75,032,596

The amounts reported for undelivered orders only include balances obligated for goods and services not delivered and does not include prepayments.

Terms of Borrowing Authority Used:

Under the provisions of the Federal Credit Reform Act of 1990, DOT direct loan and loan guarantee programs are authorized to borrow funds from Treasury to support its credit programs. All loan draw downs are dated October 1 of the applicable fiscal year. Interest is payable at the end of each fiscal year based on activity for that fiscal year. Principal can be repaid at any time funds become available. Repayment is effectuated by a combination of loan recoveries and upward re-estimates.

Existence, Purpose, and Availability of Permanent Indefinite Appropriations:

DOT has permanent indefinite appropriations for the Facilities and Equipment, Grants in Aid and Research, Development and Engineering appropriations to fully fund special projects that were on-going and spanned several years.

Unobligated Budgetary Resources:

Unobligated balances of budgetary resources for unexpired accounts are available in subsequent years until expiration, upon receipt of an apportionment from OMB. Unobligated balances of expired accounts are not available.

Statement of Budgetary Resources vs Budget of the United States Government:

The reconciliation for the year ended September 30, 2008 is presented below. The reconciliation for the fiscal year ended September 30, 2009 is not presented, because the submission of the Budget of the United States (Budget) for FY 2011, which presents the execution of the FY 2009 budget, occurs after publication of these financial statements. The Department of Transportation Budget Appendix can be found on the OMB website (<http://www.gpoaccess.gov/usbudget>) and will be available in early February 2010.

(Dollars in millions)

	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 133,717	\$ 87,670	\$ (326)	\$ 73,865
Funds not Reported in the Budget				
Expired Funds	(381)	(105)	-	-
Recoveries of prior year obligations	(12)	-	-	-
Expenditure transfers from trust funds	19	-	-	-
Recovered subsidy costs	(14)	-	-	-
Actual FY 09 recoveries	(3)	-	-	-
Future capital improvements	(15)	-	-	-
Returned to Treasury general fund	3	-	-	-
Distributed Offsetting Receipts	-	-	326	281
Other	(9)	(17)	-	37
Budget of the United States Government	\$ 133,305	\$ 87,548	\$ -	\$ 74,183

Other differences represent financial statement adjustments, timing differences and other immaterial differences between amounts reported in the Department's Statement of Budgetary Resources and the Budget of the United States.

Notes to the Financial Statements

Note 22. Incidental Custodial Collections:

Revenue Activity:

Sources of Cash Collections:

	<u>2009</u>	<u>2008</u>
Miscellaneous Receipts	\$ 26,184	\$ 32,061
Fines, Penalties and Forfeitures	<u>6,136</u>	<u>17,873</u>
Total Cash Collections	<u>32,320</u>	<u>49,934</u>
Total Custodial Revenue	<u>32,320</u>	<u>49,934</u>
Disposition of Collections:		
Transferred to Treasury's General Fund	<u>32,320</u>	<u>49,934</u>
Net Custodial Activity	<u>\$ -</u>	<u>\$ -</u>

Notes to the Financial Statements

Note 23. Reconciliation of Net Cost of Operations to Budget:

	2009	2008
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 117,386,471	\$ 87,670,373
Less: Spending Authority from Offsetting Collections and Recoveries	8,731,311	10,075,399
Obligations Net of Offsetting Collections and Recoveries	108,655,160	77,594,974
Less: Distributed Offsetting Receipts	(228,339)	(325,679)
Net Obligations	<u>108,426,821</u>	<u>77,269,295</u>
Other Resources		
Transfers In/Out Without Reimbursement	(153,631)	20,847
Imputed Financing From Costs Absorbed by Others	756,225	642,148
Other	(168,523)	(1,873)
Net Other Resources Used to Finance Activities	<u>434,071</u>	<u>661,122</u>
Total Resources Used to Finance Activities	<u>108,860,892</u>	<u>77,930,417</u>
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	26,709,777	3,137,262
Resources That Fund Expenses Recognized in Prior Periods	238,485	259,382
Credit Program Collections That Increase Liabilities for Loan Guarantees or Allowances for Subsidy	(209,856)	(513,984)
Other/Change in Unfilled Customer Orders	(75,777)	(126,464)
Resources That Finance the Acquisition of Assets	1,712,741	2,569,811
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	<u>6,999,368</u>	<u>7,984,827</u>
Total Resources Used to Finance Items Not Part of the Net Cost Of Operations	<u>35,374,738</u>	<u>13,310,834</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 73,486,154</u>	<u>\$ 64,619,583</u>

Notes to the Financial Statements

Note 23. Reconciliation of Net Cost of Operations to Budget: (Cont.)

	<u>2009</u>	<u>2008</u>
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	\$ 14,084	\$ 45,281
Increase in Environment and Disposal Liability	366,360	
Upward/Downward Reestimates of Credit Subsidy Expense	(58,536)	98,889
Increase in exchange revenue receivable from the public	(23,370)	(1,600)
Change in Other Liabilities	56,513	210,361
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	<u>355,051</u>	<u>352,931</u>
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	1,209,740	1,213,539
Revaluation of Assets or Liabilities	12,924	21,850
Other Expenses and Adjustments not Otherwise Classified Above	233,935	62,560
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	<u>1,456,599</u>	<u>1,297,949</u>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>1,811,650</u>	<u>1,650,880</u>
Net Cost of Operations	<u>\$ 75,297,804</u>	<u>\$ 66,270,463</u>

Notes to the Financial Statements

Note 24. Reporting on DOT Affiliated Activities

Saint Lawrence Seaway Development Corporation

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC), a wholly owned Government corporation and operating administration of the Department, is responsible for the operation and maintenance of the U.S. portion of the St. Lawrence Seaway. This responsibility includes maintaining and operating two U.S. locks, controlling vessel traffic and promoting trade development activities on the seaway.

Condensed Information:

	2009	2008
Cash and Short-Term Time Deposits	\$ 28,529	\$ 16,176
Long-Term Time Deposits	1,271	2,153
Accounts Receivable	113	108
Inventories	267	266
Other Current Assets	27	1
Property, Plant and Equipment	73,533	73,181
Deferred Charges	3,457	3,705
Other Assets	622	605
Total Assets	\$ 107,819	\$ 96,195
Current Liabilities	\$ 3,465	\$ 2,790
Actuarial Liabilities	3,457	3,705
Total Liabilities	6,922	6,495
Invested Capital	88,661	88,219
Cumulative Results of Operations	12,236	1,481
Total Net Position	100,897	89,700
Total Liabilities and Net Position	\$ 107,819	\$ 96,195
Operating Revenues	\$ 30,639	\$ 17,993
Operating Expenses	22,652	19,169
Operating Income (loss)	7,987	(1,176)
Other Financing Sources	2,768	2,890
Operating revenues and other financing sources over (under) operating expenses	10,755	1,714
Beginning cumulative results of operations (deficit)	1,481	(233)
Ending cumulative results of operations	\$ 12,236	\$ 1,481

MARAD Non-Appropriated Fund Instrumentality (NAFI)

The Non-Appropriated Fund Instrumentality (NAFI) operate using their own funds generated from the proceeds received from various non-governmental sources, rather than appropriated funds. At DOT, NAFI's operate as a separate fiscal entity under MARAD to provide or assist the U.S. Merchant Marine Academy in providing programs and services for students, personnel and authorized civilians from sources other than Congressional appropriations. Although considered Governmental, NAFI cash balances and operating expenses are separate and distinct from those recorded in the books of the Federal Government. For the fiscal years September 30, 2009 and September 30, 2008, NAFI operating revenues and proceeds from midshipmen fees totaled \$13 million and \$18 million respectively.

Notes to the Financial Statements

Note 25. Fiduciary Activities

The Title XI Escrow Fund was authorized pursuant to the Merchant Marine Act of 1936, as amended. The fund was originally established to hold guaranteed loan proceeds pending construction of MARAD approved and financed vessels.

The Act was recently amended to allow the deposit of additional cash security items such as reserve funds or debt reserve funds. Individual shipowners provide funds to serve as security on MARAD guaranteed loans. Funds deposited and invested by MARAD remain the property of individual shipowners. In the event of default, MARAD will use the escrow funds to offset the shipowners' debt to the Government.

Fund investments are limited to U.S. Government securities purchased by MARAD through the Treasury.

**Fiduciary Net Assets
As of September 30, 2009**

Fiduciary Assets

Fiduciary Fund Balance with Treasury	\$	75
Investments in Treasury Securities		141,681

Fiduciary Liabilities

Less: Liabilities	141,756
Total Fiduciary Net Assets	<u>-</u>

There are no inflows and outflows of fiduciary activity.

REQUIRED SUPPLEMENTARY INFORMATION

Deferred Maintenance:

<u>DOT Entity</u>	<u>Major Class of Asset</u>	<u>Method of Measurement</u>	<u>Asset Condition*</u>	2009 <u>Cost to Return to Acceptable Condition**</u>	2008 <u>Cost to Return to Acceptable Condition**</u>
FAA	Buildings	Condition Assessment Survey	4 & 5	\$ 111,298	\$ 116,785
	Other Structures and Facilities	Condition Assessment Survey	4 & 5	151,000	124,828
MARAD	Vessels, Ready Reserve Force (Various Locations)	Condition Assessment Survey	2	6,285	4,511
	Real Property, Buildings (Anchorage)	Condition Assessment Survey	2	40	40
	Other (Fleet Craft)	Condition Assessment Survey	2&3	350	350
	Other (Pier and Berthing Surveys and Studies)	Estimate	2	35	35
	Other (Heritage Assets)	Condition Assessment	3&4	200	200
Total				<u>\$ 269,208</u>	<u>\$ 246,749</u>

***Asset Condition Rating Scale:**

- 1 - Excellent
- 2 - Good
- 3 - Fair
- 4 - Poor
- 5 - Very Poor

****Acceptable Condition is:**

- FAA Buildings 3 - Fair
- FAA Other Structures and Facilities 3 - Fair
- MARAD Vessels, Ready Reserve Force 1 - Excellent - Ships are seaworthy and ready for mission assignments within prescribed time limits.
- MARAD Real Property, Buildings 3 - Fair - Buildings are safe and inhabitable.
- MARAD Real Property, Structures 3 - Fair - Adequate water depth, shore power, and mooring capabilities.
- MARAD Heritage Assets 3 - Fair

Deferred Maintenance is maintenance that was not performed when it should have been or was scheduled to be performed and delayed until a future period. Maintenance is keeping fixed assets in acceptable condition, and includes preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve assets in a condition to provide acceptable service and to achieve expected useful lives.

U.S. Department of Transportation
Required Supplementary Information
Combining Statements of Budgetary Resources By Major Account
 For the Year Ended September 30, 2009
 (Dollars in Thousands)

Budgetary Resources:	Federal-Aid	FAA	FTA	MARAD	All Other	TOTAL
Unobligated balance, brought forward, October 1	\$ 35,439,498	\$ 2,822,280	\$ 4,456,802	\$ 499,971	\$ 2,828,632	\$ 46,047,183
Recoveries of prior year unpaid obligations	-	385,377	37,871	59,833	242,747	725,828
Budget authority:						
Appropriations received	41,440,266	16,830,694	19,040,663	599,202	50,231,514	128,142,339
Borrowing authority	-	-	-	209,000	1,349,169	1,558,169
Contract authority	43,186,476	3,900,000	8,360,565	-	1,270,000	56,717,041
Spending authority from offsetting collections						
Earned						
Collected	86,112	829,788	280,061	494,245	947,633	2,637,839
Change in receivables from Federal sources	1,573	70,202	3,228	(21,834)	(41,444)	11,725
Change in unfilled customer orders						
Advance received	7,667	66,512	(260,677)	45,174	116,191	(25,133)
Without advance from Federal sources	76,146	(39,911)	(18,828)	30,188	49,137	96,732
Expenditure transfers from trust funds	-	5,238,005	25	15,956	30,334	5,284,320
Subtotal	84,798,240	26,895,290	27,405,037	1,371,931	53,952,534	194,423,032
Nonexpenditure transfers, net	(977,819)	(46,300)	1,265,065	-	1,762,754	2,003,700
Temporarily not available pursuant to Public Law	-	-	-	-	(2,251)	(2,251)
Permanently not available	(53,342,158)	(3,744,234)	(8,770,000)	(234,066)	(1,462,742)	(67,553,200)
Total budgetary resources	\$ 65,917,761	\$ 26,312,413	\$ 24,394,775	\$ 1,697,669	\$ 57,321,674	\$ 175,644,292
Status of Budgetary Resources:						
Obligations incurred:						
Direct	\$ 40,049,960	\$ 21,971,269	\$ 15,420,778	\$ 787,413	\$ 37,053,852	\$ 115,283,272
Reimbursable	48,640	743,001	20,525	367,068	923,965	2,103,199
Subtotal	40,098,600	22,714,270	15,441,303	1,154,481	37,977,817	117,386,471
Unobligated balance:						
Apportioned	19,186,099	1,707,455	8,946,604	247,783	18,933,612	49,021,554
Exempt from apportionment	-	-	-	2,027	274,347	276,374
Subtotal	19,186,099	1,707,455	8,946,604	249,810	19,207,959	49,297,928
Unobligated balance not available	6,633,062	1,890,688	6,868	293,378	135,898	8,959,894
Total status of budgetary resources	\$ 65,917,761	\$ 26,312,413	\$ 24,394,775	\$ 1,697,669	\$ 57,321,674	\$ 175,644,292

U.S. Department of Transportation
Required Supplementary Information
Combining Statements of Budgetary Resources By Major Account
For the Year Ended September 30, 2009
(Dollars in Thousands)

Change in Obligated Balances:	Federal-Aid	FAA	FTA	MARAD	All Other	TOTAL
Obligated balance, net:						
Unpaid obligations, brought forward, October 1	\$ 48,973,366	8,904,431	18,025,560	369,343	5,652,680	\$ 81,925,380
Uncollected customer payments from Federal sources, brought forward, October 1	(438,541)	(432,888)	(100,351)	(144,756)	(497,368)	(1,613,904)
Total unpaid obligated balance, net	<u>48,534,825</u>	<u>8,471,543</u>	<u>17,925,209</u>	<u>224,587</u>	<u>5,155,312</u>	<u>80,311,476</u>
Obligations incurred	40,098,600	22,714,270	15,441,303	1,154,481	37,977,817	117,386,471
Gross outlays	(36,440,893)	(21,553,160)	(11,370,605)	(1,061,789)	(18,578,212)	(89,004,659)
Unpaid obligations	-	-	-	-	25,000	25,000
Recoveries of prior year unpaid obligations, actual	-	(385,377)	(37,871)	(59,833)	(242,747)	(725,828)
Change in uncollected customer payments from Federal sources	(77,718)	(30,291)	15,601	(8,354)	(15,084)	(115,846)
Obligated balance, net, end of period:						
Unpaid obligations	52,631,073	9,680,164	22,058,387	402,202	24,834,538	109,606,364
Uncollected customer payments from Federal sources	(516,259)	(463,179)	(84,750)	(153,110)	(512,452)	(1,729,750)
Total unpaid obligated balance, net, end of period	<u>\$ 52,114,814</u>	<u>\$ 9,216,985</u>	<u>\$ 21,973,637</u>	<u>\$ 249,092</u>	<u>\$ 24,322,086</u>	<u>\$ 107,876,614</u>
Net Outlays:						
Net Outlays						
Gross Outlays	\$ 36,440,893	\$ 21,553,160	\$ 11,370,605	\$ 1,061,789	18,578,212	\$ 89,004,659
Offsetting collections	(93,779)	(6,134,305)	(19,409)	(555,375)	(1,092,441)	(7,895,309)
Distributed offsetting receipts	-	(49,703)	(568)	(39,806)	(138,262)	(228,339)
Net outlays	<u>\$ 36,347,114</u>	<u>\$ 15,369,152</u>	<u>\$ 11,350,628</u>	<u>\$ 466,608</u>	<u>\$ 17,347,509</u>	<u>\$ 80,881,011</u>

**U.S. Department of Transportation
Required Supplementary Information
Combining Statements of Budgetary Resources By Major Account
For the Year Ended September 30, 2008
(Dollars in Thousands)**

Budgetary Resources:	Federal-Aid	FAA	FTA	MARAD	All Other	TOTAL
Unobligated balance, brought forward, October 1	\$ 35,724,487	\$ 2,753,668	\$ 5,353,911	\$ 427,378	\$ 2,584,671	\$ 46,844,115
Recoveries of prior year unpaid obligations	-	471,076	79,042	52,851	344,124	947,093
Budget authority:						
Appropriations received	41,965,861	15,810,521	8,578,755	597,088	12,510,529	79,462,754
Borrowing authority	-	-	-	219,000	946,094	1,165,094
Contract authority	43,146,419	3,675,000	7,872,893	-	1,239,000	55,933,312
Spending authority from offsetting collections						
Earned						
Collected	78,823	865,313	72,599	458,420	1,215,118	2,690,273
Change in receivables from Federal sources	(2,158)	(59,596)	(20,667)	(5,874)	21,465	(66,830)
Change in unfilled customer orders						
Advance received	278	(25,761)	(41,718)	9,539	273,811	216,149
Without advance from Federal sources	66,990	(2,903)	(21,666)	34,007	(235,131)	(158,703)
Expenditure transfers from trust funds	-	6,397,061	-	6,500	43,858	6,447,419
Subtotal	85,256,213	26,659,635	16,440,196	1,318,680	16,014,744	145,689,468
Nonexpenditure transfers, net	(1,001,981)	(41,566)	989,651	7,747	48,149	2,000
Permanently not available	(46,138,460)	(4,697,732)	(6,990,753)	(202,232)	(1,735,943)	(59,765,120)
Total budgetary resources	\$ 73,840,259	\$ 25,145,081	\$ 15,872,047	\$ 1,604,424	\$ 17,255,744	\$ 133,717,556
Status of Budgetary Resources:						
Obligations incurred:						
Direct	\$ 38,365,681	\$ 21,643,568	\$ 11,398,632	\$ 646,991	\$ 13,644,722	\$ 85,699,594
Reimbursable	35,080	679,233	16,613	457,462	782,391	1,970,779
Subtotal	38,400,761	22,322,801	11,415,245	1,104,453	14,427,113	87,670,373
Unobligated balance:						
Apportioned	18,524,318	1,395,626	4,451,447	178,515	1,514,005	26,063,911
Exempt from apportionment	-	-	-	2,944	296,471	299,415
Subtotal	18,524,318	1,395,626	4,451,447	181,459	1,810,476	26,363,326
Unobligated balance not available	16,915,180	1,426,654	5,355	318,512	1,018,156	19,683,857
Total status of budgetary resources	\$ 73,840,259	\$ 25,145,081	\$ 15,872,047	\$ 1,604,424	\$ 17,255,745	\$ 133,717,556

U.S. Department of Transportation
Required Supplementary Information
Combining Statements of Budgetary Resources By Major Account
For the Year Ended September 30, 2008
(Dollars in Thousands)

Change in Obligated Balances:	Federal-Aid	FAA	FTA	MARAD	All Other	TOTAL
Obligated balance, net:						
Unpaid obligations, brought forward, October 1	\$ 46,367,132	\$ 9,008,582	\$ 16,730,015	\$ 298,285	\$ 6,321,578	\$ 78,725,592
Uncollected customer payments from Federal sources, brought forward, October 1	(373,708)	(495,387)	(147,119)	(116,622)	(710,204)	(1,843,040)
Total unpaid obligated balance, net	<u>45,993,424</u>	<u>8,513,195</u>	<u>16,582,896</u>	<u>181,663</u>	<u>5,611,374</u>	<u>76,882,552</u>
Obligations incurred	38,400,761	22,322,801	11,415,245	1,104,453	14,427,113	87,670,373
Gross outlays	(35,794,527)	(21,955,876)	(10,040,658)	(980,544)	(14,776,887)	(83,548,492)
Unpaid obligations	-	-	-	-	25,000	25,000
Recoveries of prior year unpaid obligations, actual	-	(471,076)	(79,042)	(52,851)	(344,124)	(947,093)
Change in uncollected customer payments from Federal sources	(64,833)	62,499	46,768	(28,134)	212,836	229,136
Obligated balance, net, end of period:						
Unpaid obligations	48,973,366	8,904,431	18,025,560	369,343	5,652,680	81,925,380
Uncollected customer payments from Federal sources	(438,541)	(432,888)	(100,351)	(144,756)	(497,368)	(1,613,904)
Total unpaid obligated balance, net, end of period	<u>\$ 48,534,825</u>	<u>\$ 8,471,543</u>	<u>\$ 17,925,209</u>	<u>\$ 224,587</u>	<u>\$ 5,155,312</u>	<u>\$ 80,311,476</u>
Net Outlays:						
Net Outlays						
Gross Outlays	\$ 35,794,527	\$ 21,955,876	\$ 10,040,658	\$ 980,544	\$ 14,776,887	\$ 83,548,492
Offsetting collections	(79,107)	(7,237,024)	(35,315)	(469,514)	(1,536,900)	(9,357,860)
Distributed offsetting receipts	-	(1,970)	(2,764)	(177,100)	(143,845)	(325,679)
Net outlays	<u>\$ 35,715,420</u>	<u>\$ 14,716,882</u>	<u>\$ 10,002,579</u>	<u>\$ 333,930</u>	<u>\$ 13,096,142</u>	<u>\$ 73,864,953</u>

**REQUIRED SUPPLEMENTARY
STEWARDSHIP INFORMATION**

**NON-FEDERAL PHYSICAL PROPERTY
ANNUAL STEWARDSHIP INFORMATION, September 30, 2009
TRANSPORTATION INVESTMENTS**
(Dollars in thousands)

<u>Surface Transportation:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Federal Highway Administration					
Federal Aid Highways (HTF)	\$ 29,750,120	\$ 32,190,231	\$ 32,800,748	\$ 34,470,595	\$ 37,618,049
Other Highway Trust Fund Programs	445,083	452,022	366,672	481,762	136,002
General Fund Programs	330,790	14,240	51,119	31,740	3,228,008
Appalachian Development System	425,810	366,816	329,161	185,316	321,480
Federal Motor Carrier	195,740	117,004	196,967	144,455	837
Total Federal Highway Administration	<u>31,147,543</u>	<u>33,140,313</u>	<u>33,744,667</u>	<u>35,313,868</u>	<u>41,304,376</u>
Federal Transit Administration					
Discretionary Grants	\$ 119,277	\$ 91,961	\$ 11,719	\$ 27,174	\$ 16,424
Formula Grants	4,521,288	3,376,068	2,086,876	1,329,811	743,604
Capital Investment Grants	3,375,206	3,073,294	2,662,845	2,473,141	2,175,758
Washington Metro Area Transit Authority	1,719	4,255	28,430	46	33
Interstate Transfer Grants	1,411	206	1,774	360	316
Formula and Bus Grants	-	1,862,772	4,193,989	5,968,651	7,264,278
Total Federal Transit Administration	<u>8,018,901</u>	<u>8,408,556</u>	<u>8,985,633</u>	<u>9,799,183</u>	<u>10,200,413</u>
Total Surface Transportation Nonfederal Physical Property Investments	<u>\$ 39,166,444</u>	<u>\$ 41,548,869</u>	<u>\$ 42,730,300</u>	<u>\$ 45,113,051</u>	<u>\$ 51,504,789</u>

NON-FEDERAL PHYSICAL PROPERTY
ANNUAL STEWARDSHIP INFORMATION, September 30, 2009
TRANSPORTATION INVESTMENTS
(Dollars in thousands)

<u>Air Transportation:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Federal Aviation Administration					
Airport Improvement Program	\$ 3,712,423	\$ 3,852,141	\$ 3,923,719	\$ 3,753,840	\$ 4,034,970
Total Air Transportation Nonfederal Physical Property Investments	\$ 3,712,423	\$ 3,852,141	\$ 3,923,719	\$ 3,753,840	\$ 4,034,970
Total Nonfederal Physical Property Investments	\$ 42,878,867	\$ 45,401,010	\$ 46,654,019	\$ 48,866,891	\$ 55,539,759

The Federal Highway Administration reimburses States for construction costs on projects related to the Federal Highway System of roads. The main programs in which the States participate are the National Highway System, Interstate Systems, Surface Transportation, and Congestion Mitigation/Air Quality Improvement programs. The States' contribution is ten percent for the Interstate System and twenty percent for most other programs.

The Federal Transit Administration provides grants to State and local transit authorities and agencies.

Formula grants provide capital assistance to urban and nonurban areas and may be used for a wide variety of mass transit purposes, including planning, construction of facilities, and purchases of buses and railcars. Funding also includes providing transportation to meet the special needs of elderly individuals and individuals with disabilities.

Capital investment grants, which replaced discretionary grants in FY 1999, provide capital assistance to finance acquisition, construction, reconstruction, and improvement of facilities and equipment. Capital investment grants fund the categories of new starts, fixed guideway modernization, and bus and bus-related facilities.

The Washington Metropolitan Area Transit Authority provides funding to support the construction of the Washington Metrorail System.

Interstate Transfer Grants provided Federal financing from FY 1976 through FY 1995 to allow States and localities to fund transit capital projects substituted for previously withdrawn segments of the Interstate Highway System.

The Federal Aviation Administration (FAA) makes project grants for airport planning and development under the Airport Improvement Program (AIP) to maintain a safe and efficient nationwide system of public-use airports that meet both present and future needs of civil aeronautics. FAA works to improve the infrastructure of the nation's airports, in cooperation with airport authorities, local and State governments, and metropolitan planning authorities.

HUMAN CAPITAL INVESTMENT EXPENSES
ANNUAL STEWARDSHIP INFORMATION, SEPTEMBER 30, 2009

(Dollars in thousands)

<u>Surface Transportation:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Federal Highway Administration					
National Highway Institute Training	\$ 11,844	\$ 14,123	\$ 4,083	\$ 1,205	\$ 375
Federal Motor Carrier Safety Administration					
California Highway Patrol	41	-	127	722	
Safety Grants	-	-	748	426	1,230
Idaho Video	208	-	-	302	399
Kentucky IT Conference	-	175	-	-	-
Massachusetts Training Academy	53	-	172	-	-
Minnesota Crash Investigation	-	1	-	-	-
New York Crash Reconstruction	-	-	36	180	-
Tennessee Crash Investigation	-	-	165	167	-
Federal Transit Administration					
National Transit Institute Training ⁽¹⁾	3,318	3,961	3,879	4,577	3,440
				-	-
National Highway Safety Administration					
Section 403 Highway Safety Programs	110,981	221,523	235,382	162,038	143,639
Highway Traffic Safety Grants	216,702	279,244	416,241	485,721	566,790

Pipeline and Hazardous Materials Safety Administration

Hazardous Materials (Hazmat) Training	8,065	7,800	7,798	13,263	13,263
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Total Surface Transportation Human Capital Investments

	351,212	526,827	668,631	668,601	729,136
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Maritime Transportation:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
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Maritime Administration

State Maritime Academies Training ⁽¹⁾	9,215	7,528	8,978	9,406	11,041
Additional Maritime Training	328	134	555	800	1,751

Total Maritime Transportation Human Capital Investments

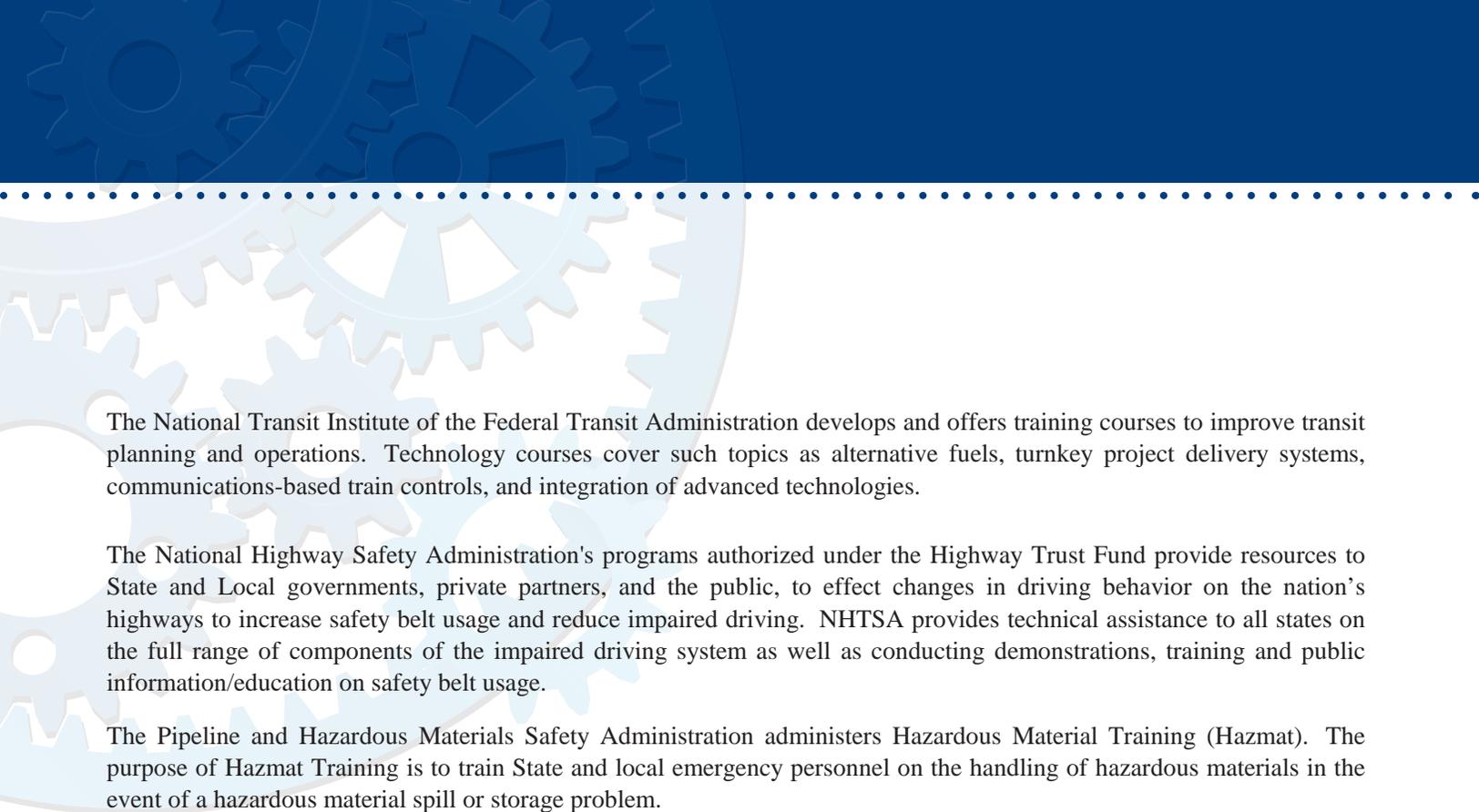
	9,543	7,662	9,533	10,206	12,792
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Total Human Capital Investments

	<u>\$ 360,755</u>	<u>\$ 534,489</u>	<u>\$ 678,164</u>	<u>\$ 678,807</u>	<u>\$ 741,928</u>
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The National Highway Institute develops and conducts various training courses for all aspects of Federal Highway Administration. Students are typically from the State and local police, State highway departments, public safety and motor vehicle employees, and U.S. citizens and foreign nationals engaged in highway work of interest to the Federal Government. Types of courses given and developed are modern developments, technique, management, planning, environmental factors, engineering, safety, construction, and maintenance.

The California Highway Patrol educates the trucking industry for the Federal Motor Carrier Safety Administration about Federal and State commercial motor vehicle/carrier inspection procedures, and to increase CMV driver awareness. The Idaho Video Program develops video training material utilized by the FMCSA National Training Center for the purpose of training State and Local law enforcement personnel. The Massachusetts Training Academy provides training to State law enforcement personnel located in the northeast region of Massachusetts. The Minnesota Crash Investigation program provides training and develops processes and protocols for commercial motor vehicle crash investigations.



The National Transit Institute of the Federal Transit Administration develops and offers training courses to improve transit planning and operations. Technology courses cover such topics as alternative fuels, turnkey project delivery systems, communications-based train controls, and integration of advanced technologies.

The National Highway Safety Administration's programs authorized under the Highway Trust Fund provide resources to State and Local governments, private partners, and the public, to effect changes in driving behavior on the nation's highways to increase safety belt usage and reduce impaired driving. NHTSA provides technical assistance to all states on the full range of components of the impaired driving system as well as conducting demonstrations, training and public information/education on safety belt usage.

The Pipeline and Hazardous Materials Safety Administration administers Hazardous Material Training (Hazmat). The purpose of Hazmat Training is to train State and local emergency personnel on the handling of hazardous materials in the event of a hazardous material spill or storage problem.

⁽¹⁾ Does not include funding for the Student Incentive Payment (SIP) program which produces graduates who are obligated to serve in a reserve component of the United States armed forces. Does not include funding for maintenance and repair (M&R).

**RESEARCH AND DEVELOPMENT INVESTMENTS
ANNUAL STEWARDSHIP INFORMATION, SEPTEMBER 30, 2009**

(Dollars in thousands)

<u>Surface Transportation:</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Federal Highway Administration					
Intelligent Transportation Systems	\$ 183,634	\$ 129,219	\$ 152,799	\$ 128,931	\$ 111,219
Other Applied Research and Development	114,315	105,336	74,942	63,906	28,259
Federal Railroad Administration					
Railroad Research and Development Program	\$ 6,032	\$ 11,681	\$ 5,551	\$ 3,049	\$ 3,349
Federal Transit Administration					
Applied Research and Development					
Transit Planning and Research	\$ 2,546	\$ 6,543	\$ 3,144	\$ 6,076	\$ 6,914
Pipeline and Hazardous Materials Safety Administration					
Applied Research and Development					
Development Research and Development Pipeline Safety					
Applied Research and Development Pipeline Safety	\$ 10,810	\$ 12,953	\$ 5,494	\$ 12,762	\$ 9,198
Applied Research and Development Hazardous Materials	1,638	2,225	1,072	1,084	1,593

Research and Innovative Technology Administration

Applied Research and Development

Research and Technology

\$ 1,564	\$ 1,110	\$ 1,036	\$ 1,036	\$ 1,936
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Total Surface Transportation Research and Development Investments

\$ 320,539	\$ 269,067	\$ 244,038	\$ 216,844	\$ 162,468
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Air Transportation:

<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
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Federal Aviation Administration

Research and Development Plant

\$ 5,287	\$ 3,821	\$ 4,217	\$ 3,498	\$ 3,381
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Applied Research

103,659	106,390	102,782	88,114	95,764
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Development

547	587	844	814	1,102
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Administration

29,163	30,566	32,050	33,519	35,055
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Total Air Transportation Research and Development Investments

\$ 138,656	\$ 141,364	\$ 139,893	\$ 125,945	\$ 135,302
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Total Research and Development Investments

\$ 459,195	\$ 410,431	\$ 383,931	\$ 342,789	\$ 297,770
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The Federal Highway Administration's research and development programs are earmarks in the appropriations bills for the fiscal year. Typically these programs are related to safety, pavements, structures, and environment. Intelligent Transportation Systems were created to promote automated highways and vehicles to enhance the national highway system. The output is in accordance with the specifications within the appropriations act.

The Federal Transit Administration supports research and development in the following program areas:

Research and development in Transit Planning and Research supports two major areas: the National Research Program and the Transit Cooperative Research Program. The National Research Program funds the research and development of innovative transit technologies such as safety-enhancing commuter rail control systems, hybrid electric buses, and fuel cell and battery-powered propulsion systems. The Transit Cooperative Research Program focuses on issues significant to the transit industry with emphasis on local problem-solving research.

Transit University Transportation Centers, combined with funds from the Highway Trust Fund, provide continued support for research, education, and technology transfer.

Capital investment grants, which replaced discretionary grants in FY 1999, provide capital assistance to finance acquisition, construction, reconstruction, and improvement of facilities and equipment. Capital investment grants fund the categories of new starts, fixed guideway modernization, and bus and bus-related activities.

The Office of the Secretary's Office of Emergency Transportation is involved in research and development of mapping software for the Crisis Management Center, transportation policy, and outreach efforts.

The Pipeline and Hazardous Materials Safety Administration funds research and development activities for the following organizations and activities.

The Office of Pipeline Safety is involved in research and development in information systems, risk assessment, mapping, and non-destructive evaluation.

The Office of Hazardous Materials is involved in research, development, and analysis in regulation compliance, safety, and information systems.

The Research and Innovative Technology Administration's Office of Research and Technology is involved in research and development for the University of Technology and Education.

The Federal Aviation Administration (FAA) conducts research and provides the essential air traffic control infrastructure to meet increasing demands for higher levels of system safety, security, capacity, and efficiency. Research priorities include aircraft structures and materials; fire and cabin safety; crash injury-protection; explosive detection systems; improved ground and in-flight de-icing operations; better tools to predict and warn of weather hazards, turbulence and wake vortices; aviation medicine, and human factors.

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Other Accompanying Information



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PERFORMANCE DATA COMPLETENESS AND RELIABILITY DETAILS

The Performance and Accountability Report includes performance measures to monitor DOT's progress towards achieving its strategic goals. Some information about the performance measures are provided within the Performance Report Section of this document however the Performance Data Completeness and Reliability Details is provided online at: www.dot.gov

The Performance Data Completeness and Reliability Details includes a description of a performance measure and associated data provided by the agencies in charge of the measure. The Scope statement gives an overview of the data collection strategy for the underlying data behind the performance measure. The Source statement identifies the data system(s) from which the data for each measure was taken. The Statistical Issues statement has comments, provided by the Bureau of Transportation Statistics (BTS) and the agency in charge of the measure, which discuss variability of the measure and other points. The Completeness statement indicates limitations due to missing data or availability of current measures, methods used to develop projections are also provided, as appropriate. The Reliability statement gives the reader a feel for how the performance data are used in program management decision making inside DOT.

For further information about the source and accuracy (S&A) of these data, and DOT's data quality guidelines in accordance with Section 515 of the Treasury and General Government Appropriations Act for Fiscal Year 2001 (P.L. 106-554), please refer to the BTS S&A compendium available at http://www.bts.gov/programs/statistical_policy_and_research/source_and_accuracy_compendium/index.html



SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1. Summary of Financial Statement Audit

Summary of Financial Statement Audit						
Audit Opinion	Unqualified					
Restatement	No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0					0
Total	0	0	0	0	0	0

Table 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA, Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0					0
Effectiveness of Internal Control over Operations (FMFIA, Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
FISMA Noncompliance	√		√			0
<i>Total Material Weaknesses</i>	1		1			0
Conformance with Financial Management System Requirements (FMFIA, Section 4)						
Statement of Assurance	Unqualified					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>	0					0
Conformance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance	Yes			Yes		
1. System Requirements	Yes			Yes		
2. Accounting Standards	Yes			Yes		
3. USSGL at Transaction Level	Yes			Yes		



INSPECTOR GENERAL'S FY 2008 TOP MANAGEMENT CHALLENGES

TOP MANAGEMENT CHALLENGES

Department of Transportation

*Report Number: PT-2010-008
Date Issued: November 16, 2009*



U.S. Department of
Transportation
Office of the Secretary
of Transportation
Office of Inspector General

Memorandum

Subject: **INFORMATION:** DOT's Fiscal Year 2010
Top Management Challenges
Report Number PT-2010-008

Date: November 16, 2009

From: Calvin L. Scovel III 
Inspector General

Reply to
Attn. of: J-1

To: The Secretary
Deputy Secretary

We have identified the Department of Transportation's (DOT) top management challenges for fiscal year 2010. The Nation's economy and the quality of life for all Americans rely heavily on a safe and vital transportation system. The Department spends about \$70 billion annually on a wide range of programs and initiatives to meet this objective, and we continue to support its efforts through our audits and investigations.

Improving transportation safety remains the Department's overarching goal. The Department, the Administration, and Congress continue to face significant challenges in achieving this goal—challenges that will require difficult decisions. Longstanding concerns we have identified that demand ongoing attention include relieving highway and air traffic congestion, financing the Highway Trust Fund, and addressing the Nation's aging surface infrastructure. At the same time, the Department must address new OIG concerns, such as starting up an intercity high-speed rail system and ensuring that the Department has a sufficient acquisition workforce with the skills needed to oversee contracts. We have begun to build a body of work to help the Department effectively manage these and other emerging issues.

The Department's challenges are further exacerbated by budget constraints, uncertain financial markets, fluctuating fuel prices, and an increasing reliance on contractors. While the American Recovery and Reinvestment Act in February 2009 aimed to stimulate the economy, it also created new challenges for the Department in overseeing the rapid disbursement of billions of dollars to address the Nation's transportation concerns. We recognize the commitment of the Secretary and his staff to the success of DOT's recovery initiatives. DOT has been proactive on several fronts, including establishing the Transportation

Investment Generating Economic Recovery (TIGER) team to coordinate DOT's role in the recovery program, ensure accountability, and develop a risk management and financial reporting plan.

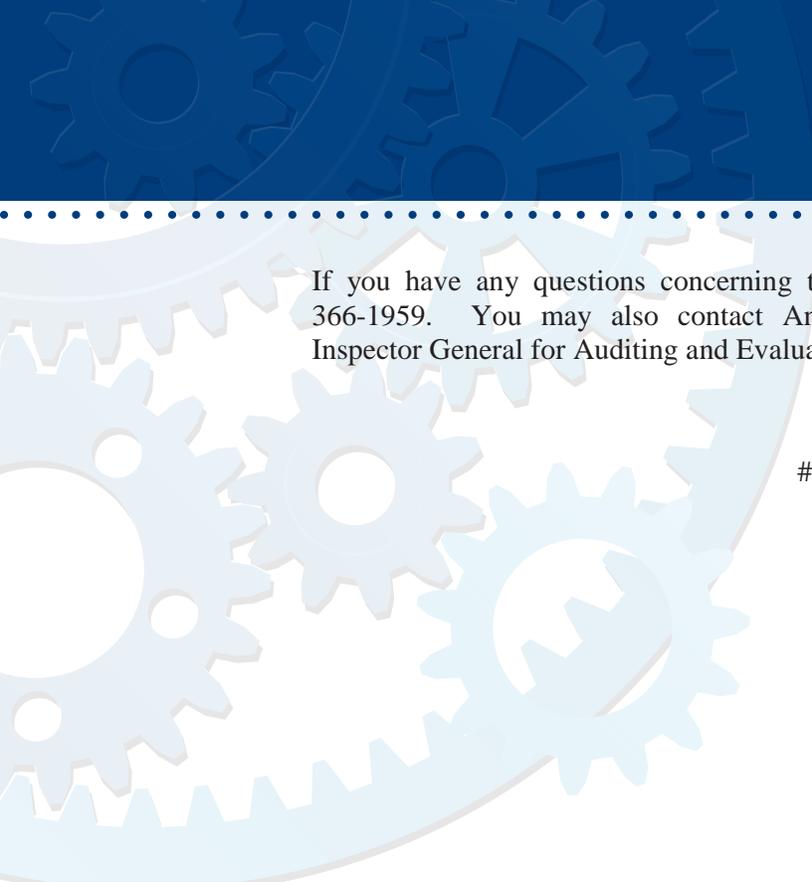
There are important opportunities for the Department to set priorities; establish sound management policies, practices, procedures; and thereby maximize its return on transportation investments. Strong leadership and careful stewardship of taxpayer dollars are essential for successfully addressing the top challenges facing the Department.

Several criteria were considered in identifying the following ten challenges, including their impact on safety, documented vulnerabilities, large dollar implications, and the ability of the Department to effect change in these areas:

- Maximizing the Department's Economic Recovery Investments
- Enhancing Surface Safety Programs to Reduce Injuries and Fatalities While Defining a New Federal Role in Transit Safety
- Maximizing Federal Surface Infrastructure Investments by Helping States Better Allocate Resources and Providing Effective Oversight
- Addressing Human Factors and Strengthening the Regulatory and Oversight Framework for Aviation Safety
- Moving Toward the Next Generation Air Transportation System and Improving Performance of the National Airspace System
- Improving Contract Management and Oversight
- Enhancing the Ability to Combat Cyber Attacks and Improving the Governance of Information Technology Resources
- Developing a Funding Framework for the Next Surface Transportation Reauthorization
- Strengthening the Department's Acquisition Workforce
- Successfully Implementing the Newly Created Multi-Billion Dollar High-Speed Intercity Passenger Rail Program

We remain committed to keeping decision makers informed of longstanding as well as emerging problems identified through our audits and investigations so that timely corrective actions can be taken.

This report and the Department's response will be included in the Department's Performance and Accountability Report, as required by law. The Department's response can be found in the appendix.



If you have any questions concerning this report, please contact me at (202) 366-1959. You may also contact Ann Calvaresi Barr, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1427.

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CHAPTER 1

Maximizing the Department's Economic Recovery Investments



Source: Minnesota 2020, used with permission

In February 2009, Congress passed and the President signed the American Recovery and Reinvestment Act¹ in an effort to jumpstart the economy, create or save jobs, and put a down payment on addressing transportation needs across the country. In the 8 months since ARRA's passage, DOT has obligated \$29.6 billion—62 percent of its total \$48.1 billion Recovery Act funds—on nearly 9,476 highway, road, bridge, transit, and rail projects nationwide. With much at stake, ARRA calls for unprecedented levels of transparency and accountability to know how, when, and where tax dollars are being spent. DOT took steps to enhance oversight of its ARRA funding, including establishing the DOT-wide Transportation Investment Generating Economic Recovery (TIGER) team to coordinate the Department's role in the recovery program, ensure accountability, and develop a risk management and financial reporting plan. While proactive steps like these are important, DOT still faces several key challenges in meeting ARRA's goals and requirements going forward.

¹ Pub. L. No. 111-5, February 17, 2009.

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Maximizing the Department's Economic Recovery Investments

Key Challenges

- Implementing the Office of the Secretary's (OST) \$1.5 billion TIGER Discretionary Grants Program.
- Enhancing oversight of ARRA spending on existing and new programs.
- Reporting accurate and consistent job creation data.

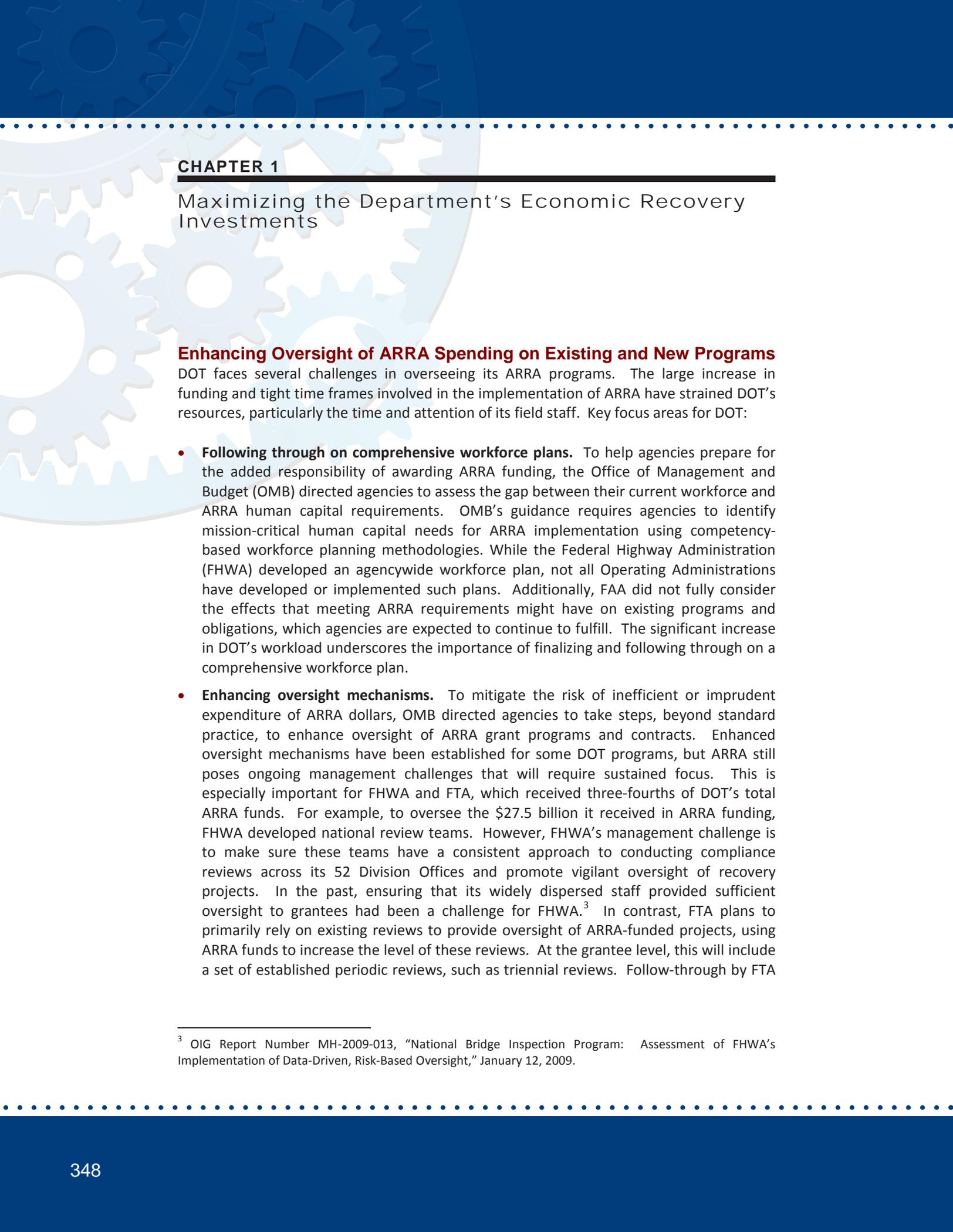
Implementing OST's \$1.5 Billion TIGER Discretionary Grants Program

One of ARRA's new discretionary grants programs includes \$1.5 billion under OST for surface transportation infrastructure projects. To better ensure this program meets its objective, OST was required to develop comprehensive and sound program plans and criteria.

OST must overcome management and resource obstacles to effectively implement this discretionary grant program. For example, OST has not finalized its role in the post-grant award process once grants are awarded. Also, OST has not thoroughly assessed what additional grant oversight resources or expertise it will need to effectively administer these grants.

An immediate challenge OST faces is to establish and carry out objective internal grant review and selection procedures based on the selection criteria it publicly released in June.² Qualitative factors such as "improving existing transportation facilities or systems" and "livability," are subject to interpretation by OST grant application evaluators. OST issued internal guidance at the end of September 2009 that provides details on evaluating applications against the criteria, and the review process is under way. At the same time, OST must meet the statutory requirement that ARRA grants be equitably distributed geographically. These potentially competing requirements, mandated by law, could be difficult to reconcile, and revising the list of selected projects to satisfy the geographic distribution requirements could result in higher rated projects being taken off the list.

² Federal Register, Vol. 74, No. 115, Wednesday, June 17, 2009.



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Enhancing Oversight of ARRA Spending on Existing and New Programs

DOT faces several challenges in overseeing its ARRA programs. The large increase in funding and tight time frames involved in the implementation of ARRA have strained DOT's resources, particularly the time and attention of its field staff. Key focus areas for DOT:

- **Following through on comprehensive workforce plans.** To help agencies prepare for the added responsibility of awarding ARRA funding, the Office of Management and Budget (OMB) directed agencies to assess the gap between their current workforce and ARRA human capital requirements. OMB's guidance requires agencies to identify mission-critical human capital needs for ARRA implementation using competency-based workforce planning methodologies. While the Federal Highway Administration (FHWA) developed an agencywide workforce plan, not all Operating Administrations have developed or implemented such plans. Additionally, FAA did not fully consider the effects that meeting ARRA requirements might have on existing programs and obligations, which agencies are expected to continue to fulfill. The significant increase in DOT's workload underscores the importance of finalizing and following through on a comprehensive workforce plan.
- **Enhancing oversight mechanisms.** To mitigate the risk of inefficient or imprudent expenditure of ARRA dollars, OMB directed agencies to take steps, beyond standard practice, to enhance oversight of ARRA grant programs and contracts. Enhanced oversight mechanisms have been established for some DOT programs, but ARRA still poses ongoing management challenges that will require sustained focus. This is especially important for FHWA and FTA, which received three-fourths of DOT's total ARRA funds. For example, to oversee the \$27.5 billion it received in ARRA funding, FHWA developed national review teams. However, FHWA's management challenge is to make sure these teams have a consistent approach to conducting compliance reviews across its 52 Division Offices and promote vigilant oversight of recovery projects. In the past, ensuring that its widely dispersed staff provided sufficient oversight to grantees had been a challenge for FHWA.³ In contrast, FTA plans to primarily rely on existing reviews to provide oversight of ARRA-funded projects, using ARRA funds to increase the level of these reviews. At the grantee level, this will include a set of established periodic reviews, such as triennial reviews. Follow-through by FTA

³ OIG Report Number MH-2009-013, "National Bridge Inspection Program: Assessment of FHWA's Implementation of Data-Driven, Risk-Based Oversight," January 12, 2009.

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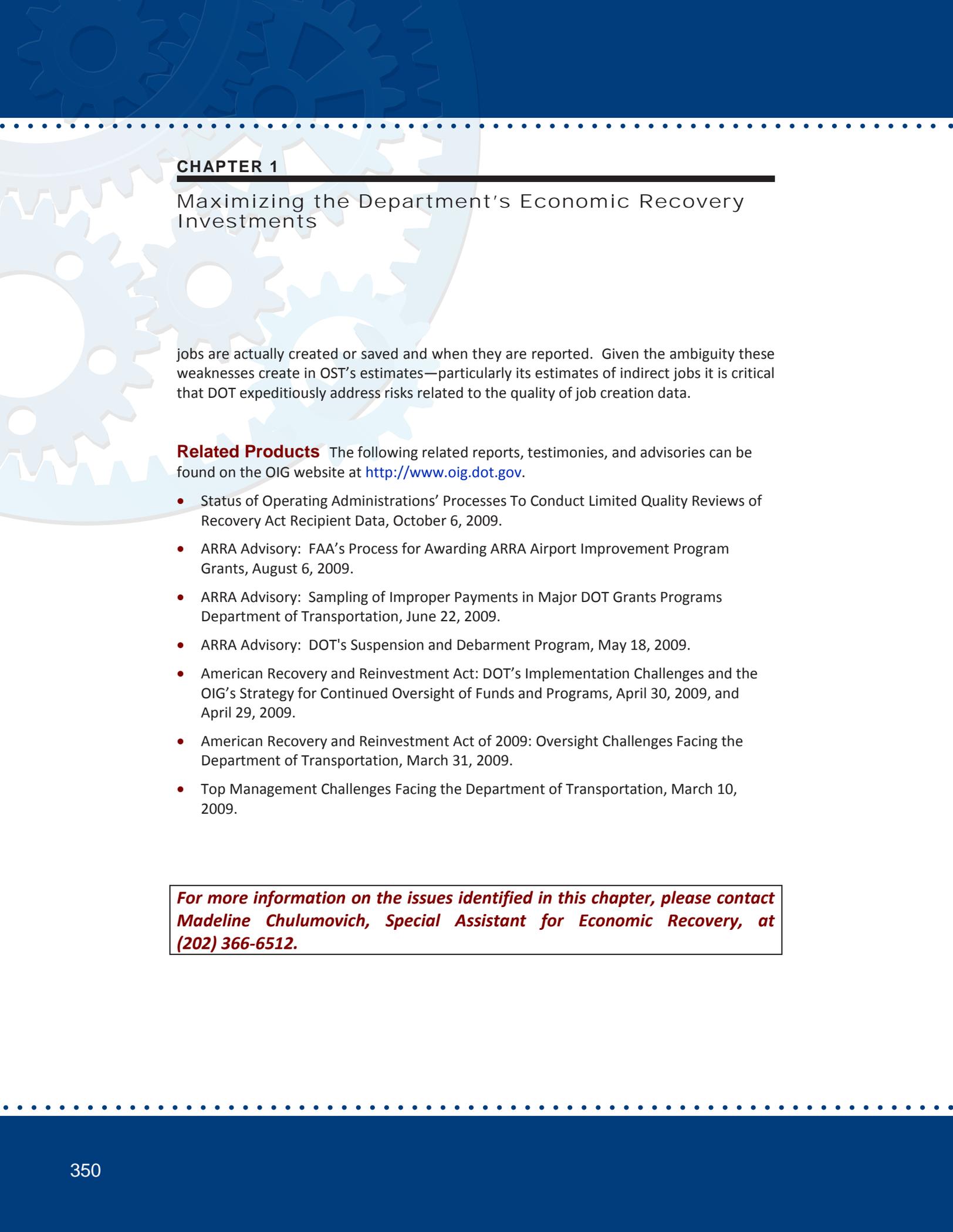
Maximizing the Department's Economic Recovery Investments

to ensure that all oversight activities are conducted consistently with sufficient rigor is key, given the dramatic increase in funds that FTA is charged with overseeing.

OMB required Federal agencies to aggressively address fraud, waste, and abuse in ARRA projects. DOT's Operating Administrations are taking action to combat the significant risk of fraud in the recovery program; but continued outreach is needed to enhance understanding among DOT staff, grantees, and their contractors on how to detect, prevent, and report potential fraud. Efforts to date are mixed. For example, while FTA sponsored a week-long "Grants A to Z" seminar, the Maritime Administration (MARAD) continues to lack a systematic fraud prevention strategy. An effective strategy centers on deterring fraud schemes that could occur on projects receiving recovery funding, such as bid-rigging, false claims for materials and labor, and product substitution through mismarking or mislabeling products and materials. A key element of this strategy is increased awareness of certain "red flags" that could indicate the presence of one or more fraud schemes on a project. As more recovery projects are initiated across the country, OIG's investigative staff will continue to partner with program officials to provide fraud prevention and awareness education. However, each Operating Administration must maintain its own rigorous fraud prevention and awareness programs.

Reporting Accurate and Consistent Job Creation Data To provide transparency and accountability for Federal recovery dollars, ARRA mandated extensive new reporting requirements to include estimating and reporting on job creation. However, a lack of guidance to the individual Operating Administrations on assessing data reliability and untimely reporting on new jobs may impede the Department's ability to provide accurate reports.

OMB provided general guidance to agencies on how to obtain and report job creation data for ARRA projects, but DOT's plans for estimating and reporting such jobs raises concerns. For example, OST has not provided guidance on how the Operating Administrations should assess the reliability of job creation data provided by recipients. In addition, OST's methodology for estimating the number of indirect jobs created by ARRA projects is inconsistent with the Council of Economic Advisors recommended methodology for estimating total employment. Further, OST intends to report indirect and total jobs on the date recipients are reimbursed for expenditures, which could result in a lag between when



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jobs are actually created or saved and when they are reported. Given the ambiguity these weaknesses create in OST's estimates—particularly its estimates of indirect jobs it is critical that DOT expeditiously address risks related to the quality of job creation data.

Related Products The following related reports, testimonies, and advisories can be found on the OIG website at <http://www.oig.dot.gov>.

- Status of Operating Administrations' Processes To Conduct Limited Quality Reviews of Recovery Act Recipient Data, October 6, 2009.
- ARRA Advisory: FAA's Process for Awarding ARRA Airport Improvement Program Grants, August 6, 2009.
- ARRA Advisory: Sampling of Improper Payments in Major DOT Grants Programs Department of Transportation, June 22, 2009.
- ARRA Advisory: DOT's Suspension and Debarment Program, May 18, 2009.
- American Recovery and Reinvestment Act: DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs, April 30, 2009, and April 29, 2009.
- American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation, March 31, 2009.
- Top Management Challenges Facing the Department of Transportation, March 10, 2009.

For more information on the issues identified in this chapter, please contact Madeline Chulumovich, Special Assistant for Economic Recovery, at (202) 366-6512.

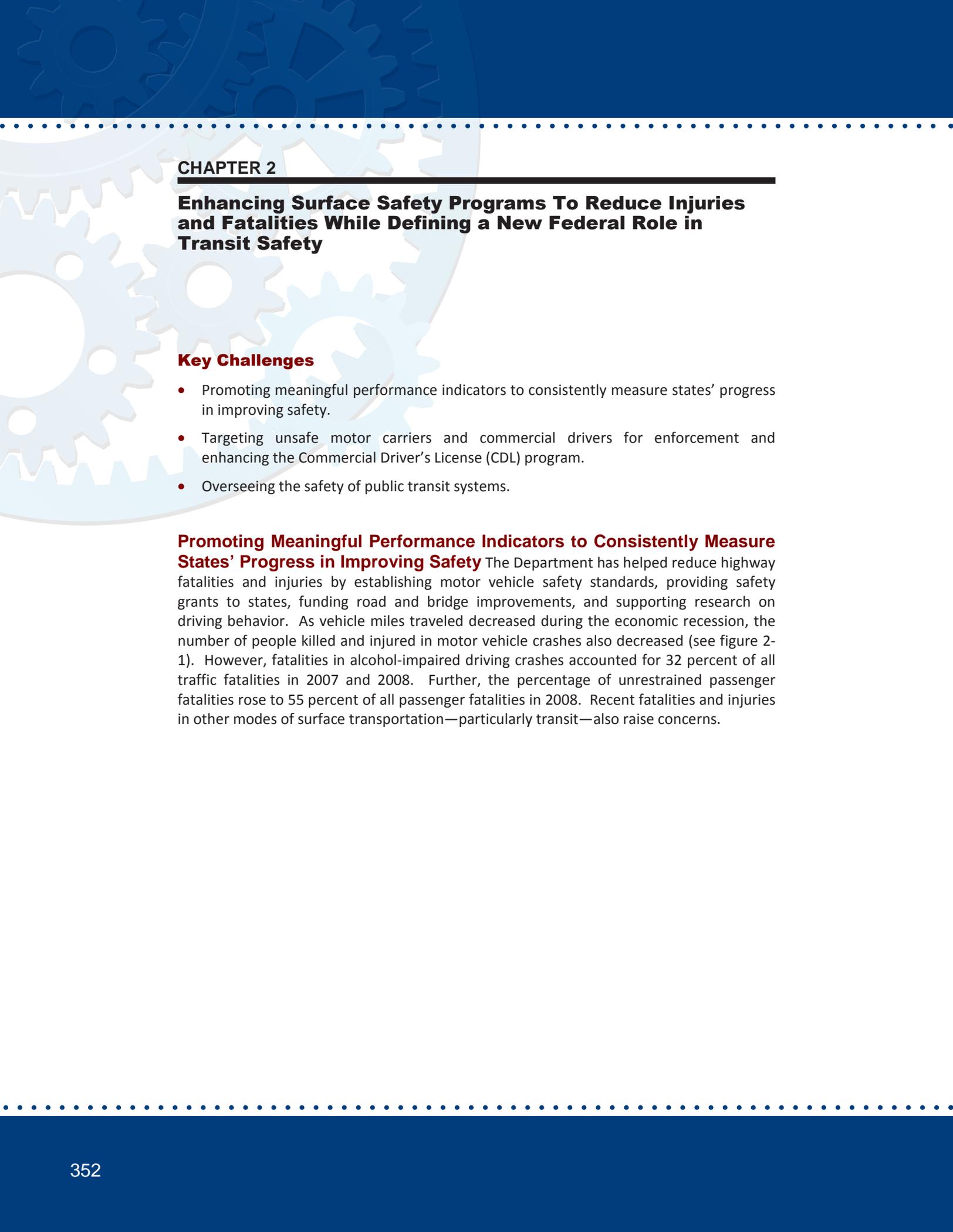
CHAPTER 2

Enhancing Surface Safety Programs To Reduce Injuries and Fatalities While Defining a New Federal Role in Transit Safety



Despite recent decreases, motor vehicle-related crashes cause nearly 95 percent of all transportation deaths.⁴ In 2008, such crashes killed more than 37,000 people and injured an estimated 2.35 million. Some types of fatalities, such as those involving motorcycles, increased in 2008, and serious problems—such as alcohol-impaired driving and unrestrained occupants—persist. Motor vehicle-related fatalities and injuries also have significant public health and economic consequences. Motor vehicle crashes cost about \$230 billion for medical care, property damage, and lost productivity in 2000, the most recent data available. The Department continues its commitment to improving safety. Recently, the Transportation Secretary announced an initiative to combat distracted driving—a contributing factor in about 16 percent of fatal crashes and 22 percent of injury crashes.

⁴ All data in this chapter from National Highway Traffic Safety Administration sources, unless otherwise noted.



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Enhancing Surface Safety Programs To Reduce Injuries and Fatalities While Defining a New Federal Role in Transit Safety

Key Challenges

- Promoting meaningful performance indicators to consistently measure states' progress in improving safety.
- Targeting unsafe motor carriers and commercial drivers for enforcement and enhancing the Commercial Driver's License (CDL) program.
- Overseeing the safety of public transit systems.

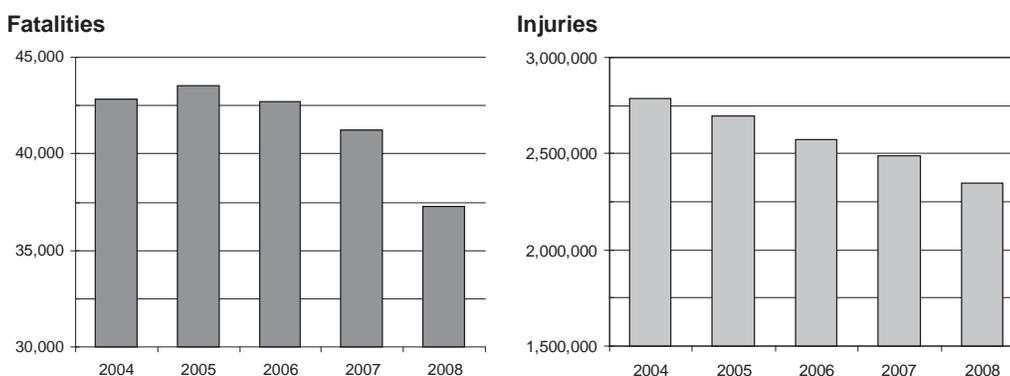
Promoting Meaningful Performance Indicators to Consistently Measure States' Progress in Improving Safety

The Department has helped reduce highway fatalities and injuries by establishing motor vehicle safety standards, providing safety grants to states, funding road and bridge improvements, and supporting research on driving behavior. As vehicle miles traveled decreased during the economic recession, the number of people killed and injured in motor vehicle crashes also decreased (see figure 2-1). However, fatalities in alcohol-impaired driving crashes accounted for 32 percent of all traffic fatalities in 2007 and 2008. Further, the percentage of unrestrained passenger fatalities rose to 55 percent of all passenger fatalities in 2008. Recent fatalities and injuries in other modes of surface transportation—particularly transit—also raise concerns.

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Figure 2-1. U.S. Highway Fatalities and Injuries, 2004 through 2008



Source: National Highway Traffic Safety Administration

Each year, the Department provides about \$600 million in Federal grants for state and local highway safety programs, including those aimed at reducing alcohol-impaired driving and promoting seat belt use.⁵ The Department must continue working with states to reinforce current safety initiatives and introduce new initiatives through strong leadership, clear Federal standards, and empirical evidence regarding safety program performance. Our work has shown that the Department can improve its ability to measure the effectiveness of Federal resources and state strategies by requiring states to use more meaningful performance indicators linked to proven strategies, such as year-round sustained enforcement of alcohol-impaired driving laws. Performance indicators would provide states with better tools to judge their progress, allow the Department to compare states' success and promulgate best practices, and enhance public accountability.

The Department and the Governors Highway Safety Association developed a set of 14 minimum performance measures for states to use in priority programs. The Department committed to work with states to develop uniform definitions, protocols, and reporting requirements for each measure. However, to monitor the success of these efforts, the

⁵ United States Department of Transportation, Fiscal Year 2008 Budget In Brief.



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Department will need to ensure states establish measurable goals and report their progress in meeting these goals.

Targeting Unsafe Motor Carriers and Commercial Drivers for Enforcement and Enhancing the CDL Program Approximately 4,500, or 1 in 8 overall fatalities in 2008 were related to crashes involving large trucks or buses.⁶ To reduce these fatalities, the Department must take on several challenges. First, the Department must take stringent enforcement action against carriers that repeatedly violate safety regulations—an action we recommended in 2006—and ensure that unsafe carriers are placed out of service and not re-issued authority under new identities. In response to our work, the Federal Motor Carrier Safety Administration (FMCSA) revised its policies to enhance controls for assessing maximum fines for repeat violations of motor carrier regulations. FMCSA has also proposed stronger CDL standards and implemented a more stringent motor carrier application vetting process to identify carriers that might have had a previous authority revoked for unsafe operations.

Second, the Department must improve enforcement and data systems used to oversee the motor carrier industry and commercial motor vehicle drivers. For example, we identified weaknesses in the Commercial Driver's License Information System, including state tardiness in posting commercial driver convictions and inadequate system security. The Department also lacks reliable traffic conviction data on holders of commercial driver's licenses from Mexico, diminishing its ability to effectively oversee cross-border trucking. Finally, the Department must implement our long-standing recommendations for revising knowledge and skills testing standards, implementing fraud prevention efforts, and establishing new minimum standards for states to issue commercial driver's permits.

The Department's Comprehensive Safety Analysis 2010 initiative—an initiative to increase the effectiveness of compliance and enforcement programs—will rely heavily on information systems and data reporting. Accordingly, it is imperative that the Department continue improving the quality of crash, inspection, and census data. The Department must take enforcement action against carriers that do not comply with census data reporting requirements, as these data are vital to the success of the Department's new motor carrier applicant vetting and safety rating processes.

⁶ National Highway Traffic Safety Administration and Federal Motor Carrier Safety Administration, Motor Carrier Safety Progress Report, June 30, 2009.

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Finally, the Department should continue working with OIG investigators and state and local agencies to identify and stop CDL holders who are not properly licensed. For example, as part of one of our criminal investigations, FMCSA has sent notices to more than 5,000 CDL holders that they need to be retested. Our investigation indicates that employees of a private driving academy might have improperly administered CDL tests for some students who attended this driving academy.

Overseeing the Safety of Public Transit Systems In 2008, transit systems' ridership continued to increase, with over 10 billion trips. Historically, transit systems have provided safe transportation relative to other modes, particularly motor vehicles. However, the June 2009 collision of two Metrorail trains outside Washington, D.C., which killed 9 people and injured more than 70, as well as other recent transit incidents have elevated concerns about the safety of these systems and the Federal role in ensuring safety. Of particular concern are issues related to operator performance, physical infrastructure, fleet operations and control systems, and management of rail cars and transit buses.

The Department faces challenges in defining a transit safety oversight structure, including closing gaps in regulatory and enforcement authority. The Department must explore options for a complete approach to safety and to address statutory authority issues that could impede the Federal role in ensuring that safety. Accordingly, the Department established a multimodal team of safety officials and experts to address transit safety and statutory authority reform. A critical challenge facing this group will be to identify safety practices that can be applied effectively by all transit agencies.

CHAPTER 2

Enhancing Surface Safety Programs To Reduce Injuries and Fatalities While Defining a New Federal Role in Transit Safety

Related Products The following related reports and testimonies can be found on the OIG website at <http://www.oig.dot.gov>.

- Follow-up Audit on the Implementation of NAFTA's Cross-Border Trucking Provisions, August 17, 2009.
- Audit of the Data Integrity of the Commercial Driver's License Information System, July 30, 2009.
- Status Report on NAFTA Cross-Border Trucking Demonstration Project, February 2, 2009.
- Use of Income Derived from the Commercial Driver's License Information System for Modernization, July 10, 2008.
- Best Practices for Improving Oversight of State Highway Safety Programs, March 25, 2008.
- Cross-Border Trucking Demonstration Project, Testimony, March 11, 2008.
- Interim Report on NAFTA Cross-Border Trucking Demonstration Project, March 10, 2008.
- Effectiveness of Federal Drunk Driving Programs, October 25, 2007.
- Issues Pertaining to the Proposed NAFTA Cross-Border Trucking Demonstration Project, September 6, 2007.
- Follow-Up Audit of the Implementation of the North American Free Trade Agreement's (NAFTA) Cross-Border Trucking Provisions, August 6, 2007.
- Motor Carrier Safety: Oversight of High Risk Trucking Companies, July 11, 2007.
- Audit of the National Highway Traffic Safety Administration's Alcohol-Impaired Driving Traffic Safety Program, March 5, 2007.

For more information on the issues identified in this chapter, please contact Joseph Com , Assistant Inspector General for Surface and Maritime Program Audits, at (202)-366-5630, or Timothy Barry, Principal Assistant Inspector General for Investigations, at (202) 366-1967.

CHAPTER 3

Maximizing Federal Surface Infrastructure Investments by Helping States Better Allocate Resources and Providing Effective Oversight



Source: DOT

A 2009 report from the American Society of Civil Engineers (ASCE) noted that one-third of the Nation's major roads are in poor or mediocre condition and that more than one-quarter of our bridges are deficient. According to ASCE, current spending on roads is well below the estimated \$186 billion needed annually to substantially improve them; FHWA recently estimated that \$65 billion could be invested immediately to address current bridge deficiencies. Meanwhile, the Highway Trust Fund⁷, which provides most of the funding for highway and transit programs, faces an ongoing cash flow problem.

Key Challenges

- Developing improved tools and techniques to help states better allocate scarce resources.
- Providing effective oversight of Federal investments through better use of data, management tools, and performance measures.

⁷ See Chapter 8 for a discussion of Highway Trust Fund issues.



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Maximizing Federal Surface Infrastructure Investments by Helping States Better Allocate Resources and Providing Effective Oversight

Developing Improved Tools and Techniques To Help States Better Allocate Scarce Resources Maximizing Federal investment in surface infrastructure is particularly challenging because the majority of the Department's federally assisted highway programs are administered by states, which have broad flexibility in deciding how to use their funds, which projects to pick, and how to implement them. For example, in fiscal year 2009, states received over \$5 billion through the Highway Bridge Program—the primary Federal funding program for replacing and rehabilitating bridges nationwide—and states may transfer up to 50 percent of these funds to other Federal-aid highway programs. Some states have chosen to make such transfers, such as Pennsylvania, which from fiscal years 2001 to 2008 transferred approximately \$1.2 billion of its \$3.5 billion in Highway Bridge Program funding to other Federal-aid highway programs.

The Department can assist states in making better resource allocation decisions by developing improved tools and techniques. In early 2009, we reported that FHWA could strengthen its oversight role by expanding states' use of bridge management systems—computerized systems that prioritize replacement and repair projects and thereby allow states to more effectively use their resources, preserve existing infrastructure, and best serve the public. By routinely collecting and evaluating information on states' use of bridge management systems, FHWA can target technical and training resources and provide other assistance to states most in need of help in implementing effective systems. FHWA has begun to take such action, but a sustained effort will be needed to help ensure states use their bridge funds wisely.

Providing Effective Oversight of Federal Investments through Better Use of Data, Management Tools, and Performance Measures DOT has begun to develop data systems, management tools, and performance measures to improve its oversight over Federal infrastructure investments. However, additional improvements in these ongoing efforts would enable the Department to better determine whether programs are achieving intended results and assist in holding states and other grantees accountable for results.

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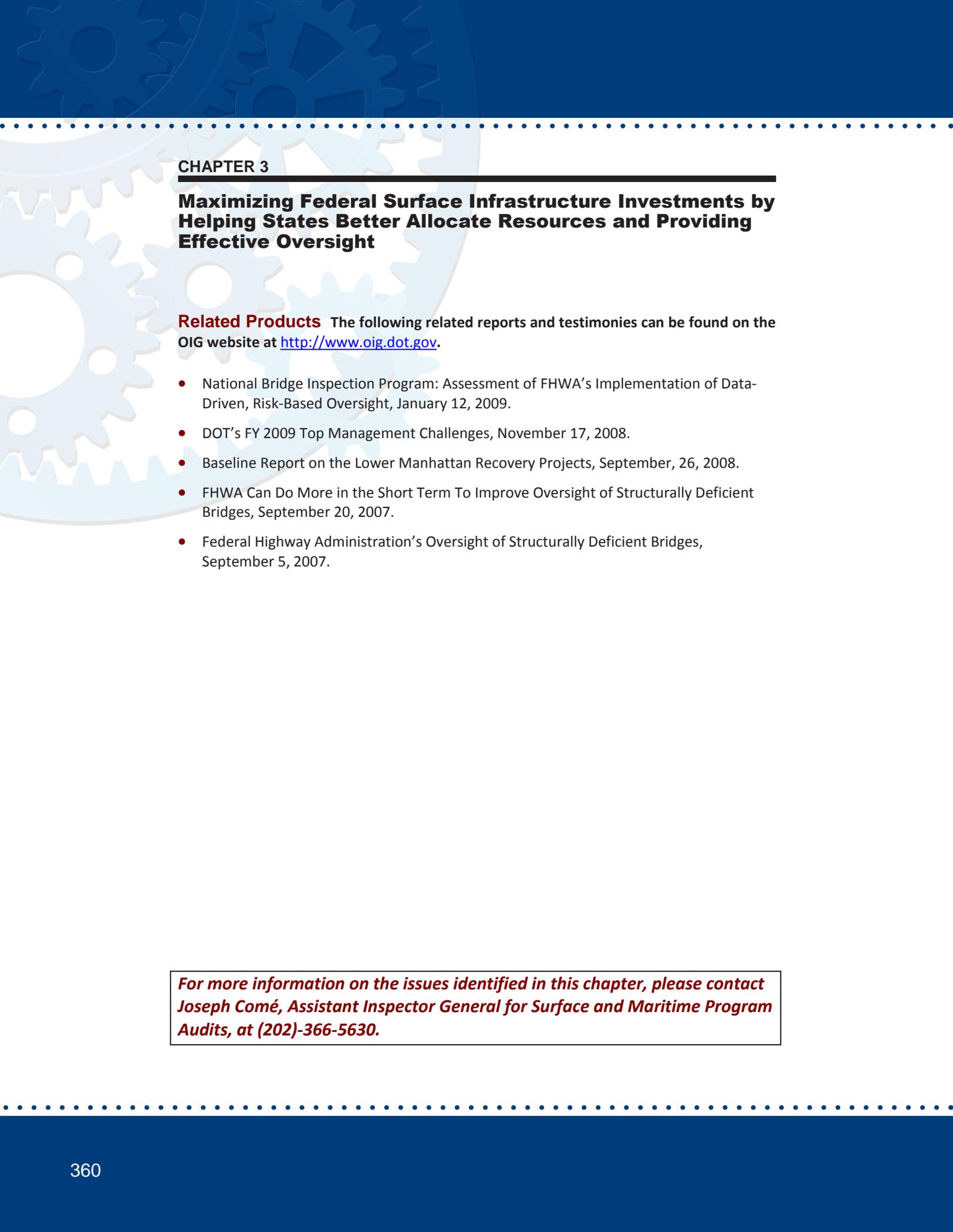
Maximizing Federal Surface Infrastructure Investments by Helping States Better Allocate Resources and Providing Effective Oversight

A major concern is the monitoring of funds disbursed through the Highway Bridge Program, which was authorized \$21.6 billion through 2009 to improve the condition of deficient bridges through replacement and rehabilitation.⁸ FHWA is responsible for overseeing the efficient and effective use of these and other Federal-aid highway funds.⁹ However, our recent work has shown that FHWA lacks the tools needed to effectively track bridge expenditures and measure performance. Specifically, FHWA is currently unable to determine how much of the funding provided to states is actually spent on deficient bridges because its financial management system lacks the details necessary to link expenditures to improvements made to deficient bridges. FHWA also lacks a systematic approach for establishing performance goals and sharing with states and other stakeholders the results of their performance—key strategies in assessing the impact of Federal dollars on bridge conditions and targeting oversight activities. FHWA must ensure that the significant investment in the Highway Bridge Program is used effectively by states to improve the condition of the Nation’s deficient bridges.

We also reported in late 2008 on weaknesses in FTA’s oversight of \$4.55 billion in Federal funds to reconstruct Lower Manhattan’s transportation infrastructure following its extensive devastation on September 11, 2001. While FTA’s risk management tool identified project management issues, including those that contributed to cost increases and schedule delays, FTA’s efforts to identify and mitigate risks to grantee performance were not fully successful in keeping the Lower Manhattan Recovery Projects within budget and on schedule. Over a period of 2 years, there was a continuing trend of escalating project costs and schedule delays. FTA has enhanced its risk management process to establish new guidelines and milestones for managing cost and schedule risks. To make its use of the risk management tool fully effective, FTA must follow through and ensure that grantees mitigate risks in a timely manner. Successful use of such tools will be critical as FTA oversees work on the Access to the Region’s Core project in the New York-New Jersey area—a project currently estimated at \$9 billion.

⁸ States are also allowed to use Highway Bridge Program funds for other activities, such as systematic preventative maintenance, regardless of a bridge’s deficiency status.

⁹ 23 U.S.C. §106 (2006).



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Maximizing Federal Surface Infrastructure Investments by Helping States Better Allocate Resources and Providing Effective Oversight

Related Products The following related reports and testimonies can be found on the OIG website at <http://www.oig.dot.gov>.

- National Bridge Inspection Program: Assessment of FHWA’s Implementation of Data-Driven, Risk-Based Oversight, January 12, 2009.
- DOT’s FY 2009 Top Management Challenges, November 17, 2008.
- Baseline Report on the Lower Manhattan Recovery Projects, September, 26, 2008.
- FHWA Can Do More in the Short Term To Improve Oversight of Structurally Deficient Bridges, September 20, 2007.
- Federal Highway Administration’s Oversight of Structurally Deficient Bridges, September 5, 2007.

For more information on the issues identified in this chapter, please contact Joseph Com , Assistant Inspector General for Surface and Maritime Program Audits, at (202)-366-5630.

CHAPTER 4

Addressing Human Factors and Strengthening the Regulatory and Oversight Framework for Aviation Safety

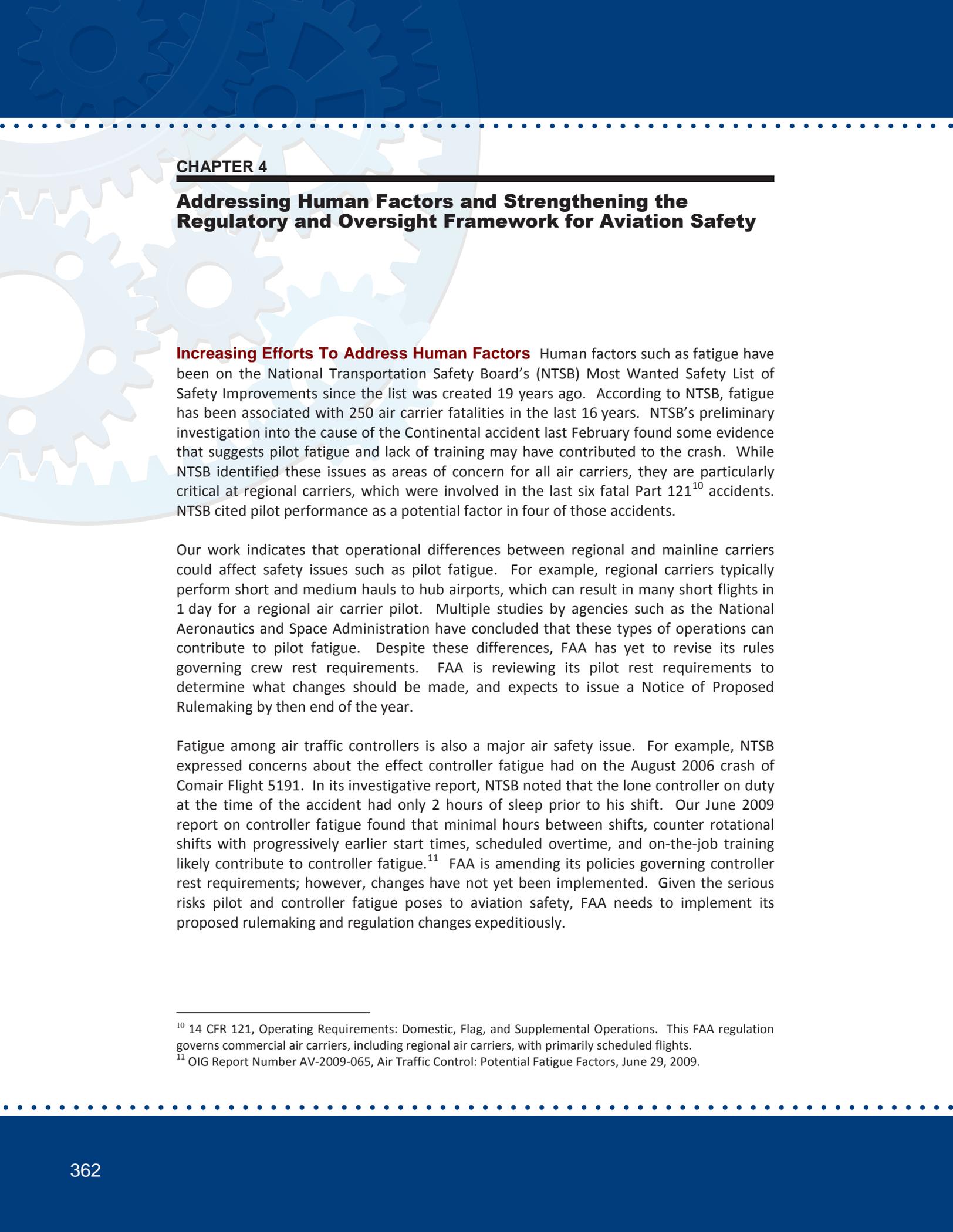


Source: Federal Aviation Administration

The past several years have been one of the safest periods in history for the aviation industry, largely due to the Federal Aviation Administration's (FAA) and the aviation industry's dedicated efforts to improve safety. A dramatic example of aviation skill was witnessed last January when U.S. Airways flight 1549 made an emergency landing in the Hudson River and all 155 passengers and crew survived. However, the crash of Continental Connection flight 3407, which occurred just weeks later and resulted in 50 fatalities, confirmed the need for constant vigilance over aviation safety.

Key Challenges

- Increasing efforts to address human factors.
- Providing an equivalent level of safety for passengers flying on-demand carriers by strengthening FAA regulations and oversight.
- Maintaining momentum in joint FAA/industry efforts to improve runway safety.



CHAPTER 4

Addressing Human Factors and Strengthening the Regulatory and Oversight Framework for Aviation Safety

Increasing Efforts To Address Human Factors Human factors such as fatigue have been on the National Transportation Safety Board's (NTSB) Most Wanted Safety List of Safety Improvements since the list was created 19 years ago. According to NTSB, fatigue has been associated with 250 air carrier fatalities in the last 16 years. NTSB's preliminary investigation into the cause of the Continental accident last February found some evidence that suggests pilot fatigue and lack of training may have contributed to the crash. While NTSB identified these issues as areas of concern for all air carriers, they are particularly critical at regional carriers, which were involved in the last six fatal Part 121¹⁰ accidents. NTSB cited pilot performance as a potential factor in four of those accidents.

Our work indicates that operational differences between regional and mainline carriers could affect safety issues such as pilot fatigue. For example, regional carriers typically perform short and medium hauls to hub airports, which can result in many short flights in 1 day for a regional air carrier pilot. Multiple studies by agencies such as the National Aeronautics and Space Administration have concluded that these types of operations can contribute to pilot fatigue. Despite these differences, FAA has yet to revise its rules governing crew rest requirements. FAA is reviewing its pilot rest requirements to determine what changes should be made, and expects to issue a Notice of Proposed Rulemaking by then end of the year.

Fatigue among air traffic controllers is also a major air safety issue. For example, NTSB expressed concerns about the effect controller fatigue had on the August 2006 crash of Comair Flight 5191. In its investigative report, NTSB noted that the lone controller on duty at the time of the accident had only 2 hours of sleep prior to his shift. Our June 2009 report on controller fatigue found that minimal hours between shifts, counter rotational shifts with progressively earlier start times, scheduled overtime, and on-the-job training likely contribute to controller fatigue.¹¹ FAA is amending its policies governing controller rest requirements; however, changes have not yet been implemented. Given the serious risks pilot and controller fatigue poses to aviation safety, FAA needs to implement its proposed rulemaking and regulation changes expeditiously.

¹⁰ 14 CFR 121, Operating Requirements: Domestic, Flag, and Supplemental Operations. This FAA regulation governs commercial air carriers, including regional air carriers, with primarily scheduled flights.

¹¹ OIG Report Number AV-2009-065, Air Traffic Control: Potential Fatigue Factors, June 29, 2009.

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Addressing Human Factors and Strengthening the Regulatory and Oversight Framework for Aviation Safety

Providing an Equivalent Level of Safety for Passengers Flying On-Demand Carriers by Strengthening FAA Regulations and Oversight In 2007 and 2008, small, commercial on-demand carriers experienced 33 fatal accidents resulting in 109 deaths—a bleak safety record when compared to large U.S. commercial air carriers, which had no passenger deaths in the same period. In addition to air tour flights and cargo operations, on-demand operators provide critical services, such as emergency medical, rescue, and human organ transportation, as well as air service to small remote communities. However, these carriers typically operate in a riskier environment than commercial aircraft. They perform more takeoffs and landings, making them more vulnerable to terrain, weather, and other obstacles.

Despite these risks, we reported in July 2009 that on-demand operators have less restrictive regulations and oversight than commercial carriers.¹² For example, on-demand regulations allow lower minimum pilot experience for flight crews than commercial air carriers and maintenance inspection requirements are less restrictive for smaller on-demand aircraft. In addition, not all on-demand operators are required to have advanced equipment that commercial aircraft must have, such as ground proximity warning systems and traffic alert and collision avoidance systems. Further, many of the existing regulations for on-demand operators have not been updated to address changes in the industry. Some regulations date as far back as 1978.

Our work has shown that targeted, risk-based oversight from FAA could help mitigate these risk factors and better address the diversity of on-demand operators. However, FAA oversight of on-demand operators is based on compliance with regulations rather than where risk dictates. FAA is developing a new risk-based oversight approach for on-demand operators, but this new system is not scheduled for full deployment for at least another 4 years. Because of the high fatality rate associated with on-demand operations, FAA needs to implement an interim process that considers the inherent operational risk factors in on-demand operations.

¹² OIG Report Number AV-2009-066, On-Demand Operators: Less Stringent Safety Requirements and Oversight than Large Commercial Carriers, July 13, 2009.



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Addressing Human Factors and Strengthening the Regulatory and Oversight Framework for Aviation Safety

Maintaining Momentum in Joint FAA/Industry Efforts To Improve Runway Safety Reducing the risk of runway collisions and other runway incursions is a critical issue that requires ongoing efforts on the part of FAA, airlines, and airport operators. While new FAA technologies provide potential solutions to improving runway safety in the future, our reviews of three such technologies¹³ disclosed serious concerns about the timeliness of these solutions and underscored the need for more near-term solutions. In August 2007, FAA, airline, and airport officials created a Call to Action Plan that identified a series of short-, mid-, and long-term initiatives to reduce runway incursions. These included addressing needed near-term solutions such as airport-specific infrastructure and procedural changes.

Since the plan's inception, the most serious runway incursions have decreased by 50 percent (from 24 to 12). However, factors outside the Plan's actions may have also contributed to the significant decrease in serious incidents. For example, since fiscal year 2007, airport operations have decreased 14 percent, resulting in fewer aircraft and vehicles using runways, taxiways, and airport ramps, thus diminishing the potential for runway incursions to occur. Additionally, many safety improvements at airports were implemented before the Plan was established.

Nevertheless, most airport, airline, and air traffic control officials we spoke with credited the Plan for creating an environment of heightened attention about runway safety among all users—a substantial accomplishment. To sustain this momentum and achieve its overall goal of reducing runway incursions by 10 percent by fiscal year 2013, FAA needs to fully vet and set milestones for the Plan's mid- and long-term initiatives. Our past work has shown that FAA's actions to improve runway safety diminished as it met its overall goal for reducing runway incursions.¹⁴

¹³ Automatic Dependent Surveillance Broadcast—a satellite-based technology that allows aircraft to broadcast their position to other aircraft and ground systems; the Airport Surface Detection Equipment-Model-X—a ground surveillance system intended to alert controllers to potential ground collisions; and Runway Status Lights—automated, surveillance-driven lights to alert pilots in departing or crossing aircraft that the runway is occupied.

¹⁴ OIG Report Number AV-2007-050, Progress Has Been Made in Reducing Runway Incursions, but Recent Incidents Underscore the Need for Further Proactive Efforts, May 24, 2007.

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Addressing Human Factors and Strengthening the Regulatory and Oversight Framework for Aviation Safety

Related Products The following related reports and testimonies can be found on the OIG website at <http://www.oig.dot.gov>.

- Report on On–Demand Operators: Less Stringent Safety Requirements and Oversight than Large Commercial Air Carriers, July 13, 2009.
- Air Traffic Control: Potential Fatigue Factors, June 29, 2009.
- Testimony before the House Subcommittee on Aviation: Regional Air Carriers and Pilot Workforce Issues. June 11, 2009.
- Training Failures Among Newly Hired Air traffic Controllers. June 8, 2009.
- FAA Is Not Realizing the Full Benefits of the Aviation Safety Action Program, May 14, 2009.
- Controller Staffing at Key California Air Traffic Control Facilities, April 23, 2009.
- Actions Taken and Needed to Improve FAA’s Runway Safety Area Program, March 3, 2009.
- Review of FAA’s Oversight of Airlines and Use of Regulatory Partnership Programs, June 30, 2008.
- Progress Has Been Made in Reducing Runway Incursions, but Recent Incidents Underscore the Need for Further Proactive Efforts, May 24, 2007.

For more information on the issues identified in this chapter, please contact Lou Dixon, Assistant Inspector General for Aviation and Special Programs, at (202) 366-0500.

Moving Toward the Next Generation Air Transportation System and Improving Performance of the National Airspace System



Source: Federal Aviation Administration

The National Airspace System handles almost 50,000 flights per day and more than 700 million passengers per year. Historically, steadily increasing levels of air traffic have resulted in increasing delays and cancellations, particularly at heavily congested airports such as Newark International, John F. Kennedy International, and Atlanta Hartsfield-Jackson International. To better manage air traffic and congestion, the Federal Aviation Administration (FAA) is developing the Next Generation Air Transportation System (NextGen), which is expected to yield significant benefits in terms of reducing delays, saving fuel, adding capacity, improving access, enhancing safety, and reducing environmental impact. NextGen, however, is a high-risk effort involving billion-dollar investments from both the Government and the airline industry. NextGen's challenges are multi-dimensional and involve research and development, complex software development and integration for existing and new systems, workforce changes, and policy questions about how to spur aircraft equipage.

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Moving Toward the Next Generation Air Transportation System and Improving Performance of the National Airspace System

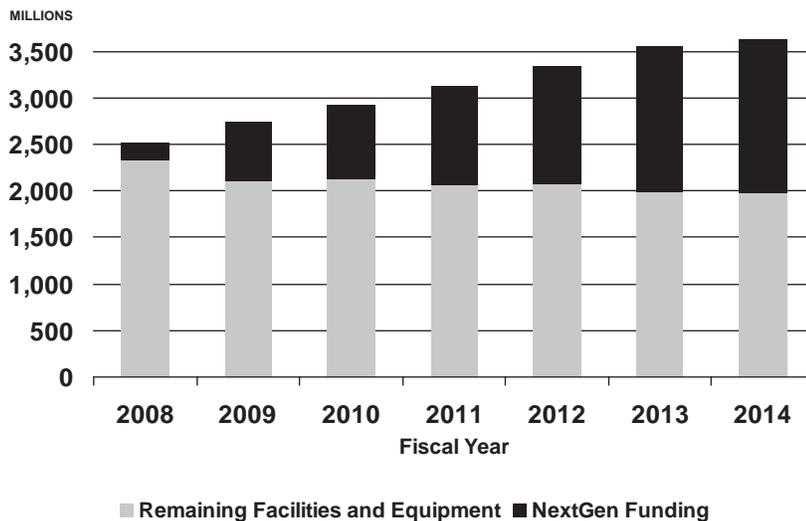
Key Challenges

- Taking actions to deliver NextGen benefits in the near- and mid-term.
- Maximizing the benefits of performance-based navigation in the national airspace system and keeping airspace redesign projects on track.
- Improving programs for developing the next generation of air traffic controllers.

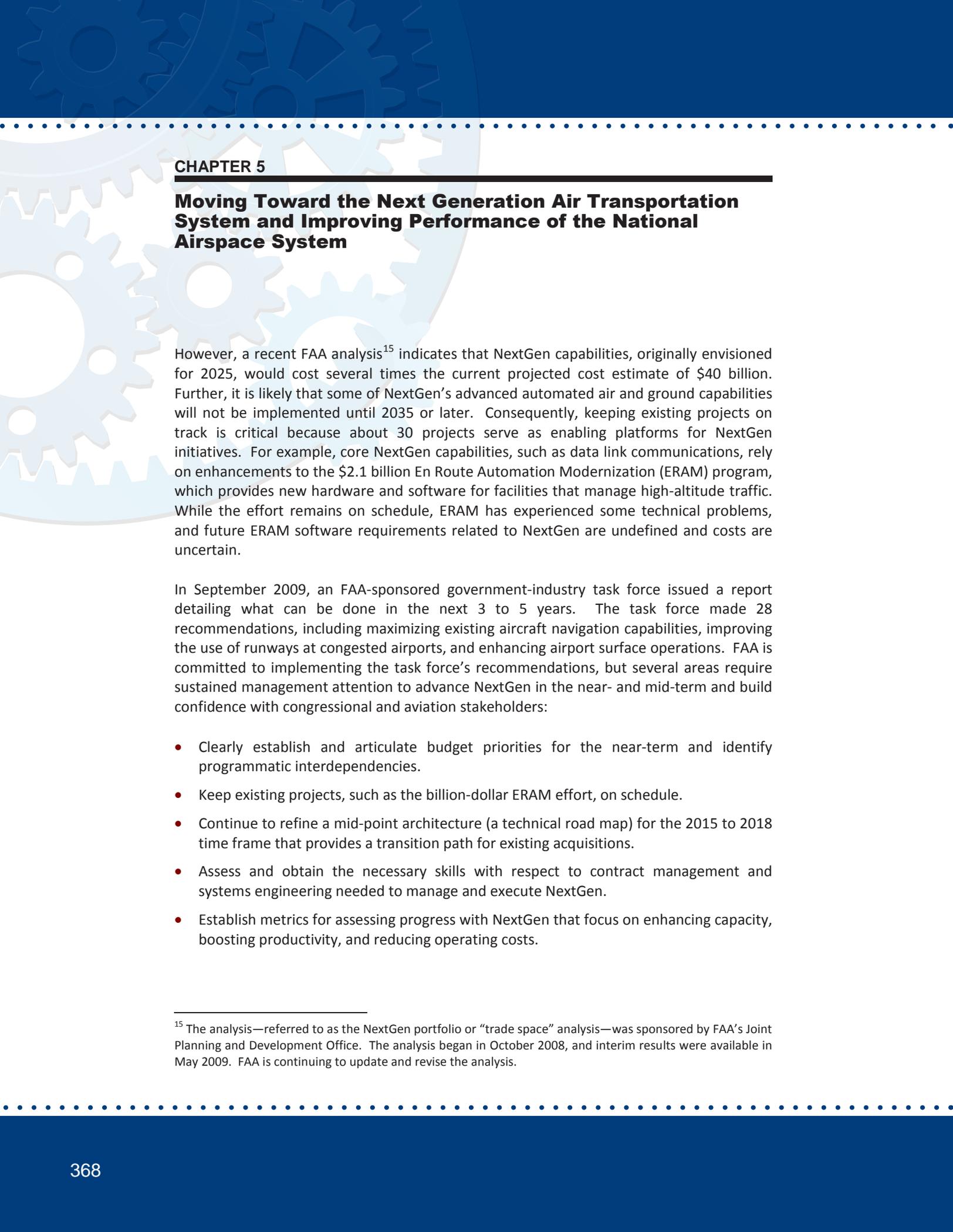
Taking Actions To Deliver NextGen Benefits in the Near- and Mid-Term

A key challenge for the Department and FAA involves setting realistic expectations for what NextGen can deliver in the near- and mid-term. Between fiscal years 2009 and 2014, FAA plans to spend about \$7 billion on NextGen-related programs, which include a new satellite-based system for surveillance and a new information sharing system (see figure 5-1).

Figure 5-1. FAA Capital Funding for Fiscal Years 2008 through 2014



Source: Federal Aviation Administration



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However, a recent FAA analysis¹⁵ indicates that NextGen capabilities, originally envisioned for 2025, would cost several times the current projected cost estimate of \$40 billion. Further, it is likely that some of NextGen’s advanced automated air and ground capabilities will not be implemented until 2035 or later. Consequently, keeping existing projects on track is critical because about 30 projects serve as enabling platforms for NextGen initiatives. For example, core NextGen capabilities, such as data link communications, rely on enhancements to the \$2.1 billion En Route Automation Modernization (ERAM) program, which provides new hardware and software for facilities that manage high-altitude traffic. While the effort remains on schedule, ERAM has experienced some technical problems, and future ERAM software requirements related to NextGen are undefined and costs are uncertain.

In September 2009, an FAA-sponsored government-industry task force issued a report detailing what can be done in the next 3 to 5 years. The task force made 28 recommendations, including maximizing existing aircraft navigation capabilities, improving the use of runways at congested airports, and enhancing airport surface operations. FAA is committed to implementing the task force’s recommendations, but several areas require sustained management attention to advance NextGen in the near- and mid-term and build confidence with congressional and aviation stakeholders:

- Clearly establish and articulate budget priorities for the near-term and identify programmatic interdependencies.
- Keep existing projects, such as the billion-dollar ERAM effort, on schedule.
- Continue to refine a mid-point architecture (a technical road map) for the 2015 to 2018 time frame that provides a transition path for existing acquisitions.
- Assess and obtain the necessary skills with respect to contract management and systems engineering needed to manage and execute NextGen.
- Establish metrics for assessing progress with NextGen that focus on enhancing capacity, boosting productivity, and reducing operating costs.

¹⁵ The analysis—referred to as the NextGen portfolio or “trade space” analysis—was sponsored by FAA’s Joint Planning and Development Office. The analysis began in October 2008, and interim results were available in May 2009. FAA is continuing to update and revise the analysis.

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Maximizing the Benefits of Performance-Based Navigation in the National Airspace System and Keeping Airspace Redesign Projects on Track

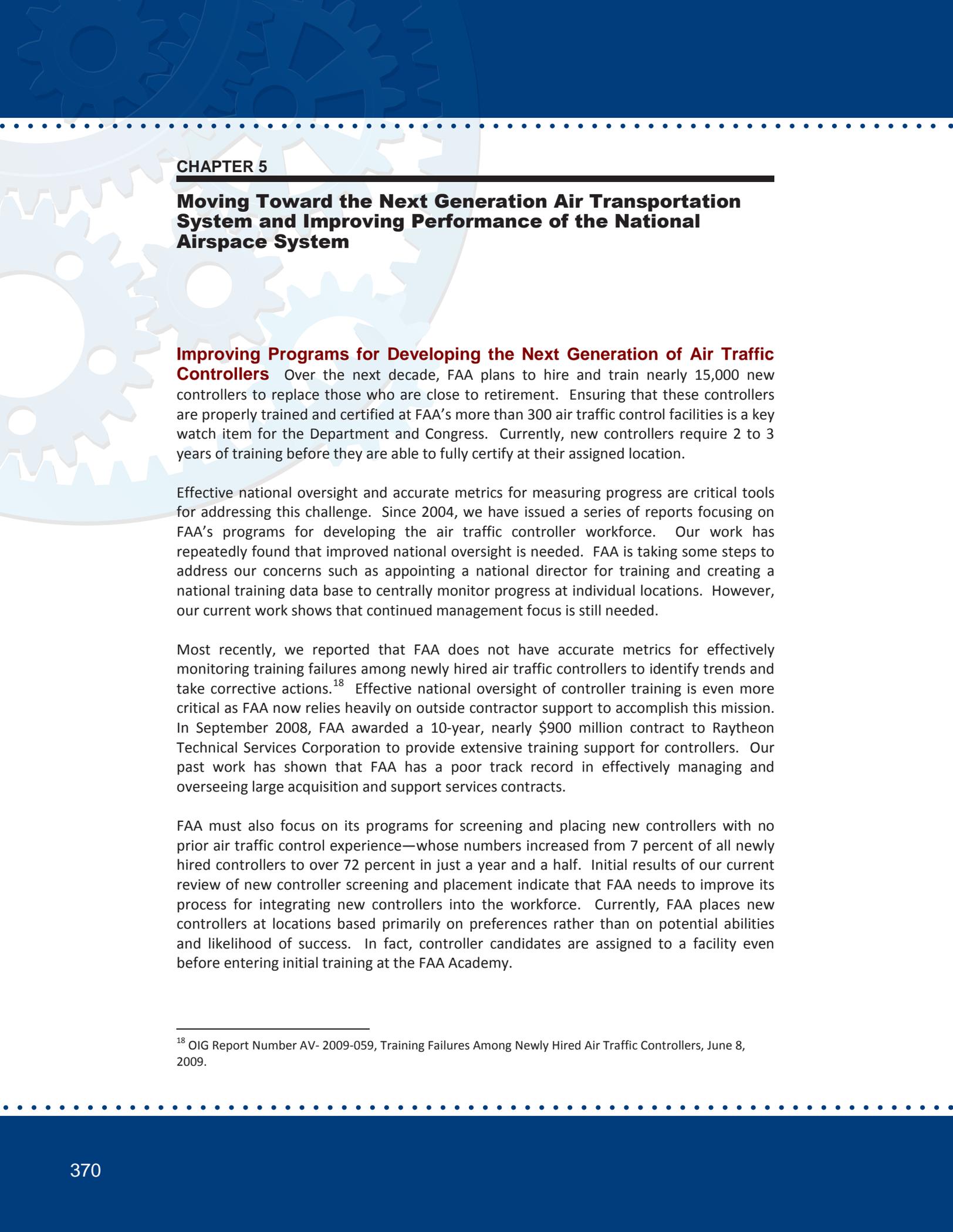
A fundamental building block of FAA's NextGen efforts is establishing new Performance-Based Navigation (PBN) routes and procedures, using Area Navigation (RNAV) and Required Navigation Performance (RNP) specifications.¹⁶ The potential benefits of RNAV and RNP are significant and include shorter, more direct flight paths; improved airport arrival and departure efficiency; enhanced controller productivity; fuel savings; and reduced aircraft noise. FAA faces several challenges in implementing these initiatives. First, air carriers are not satisfied with most of the FAA's new RNP approach procedures because the procedures rely heavily on laying RNP routes over existing routes to deploy them more quickly. Second, use of RNAV/RNP procedures at some airports has been limited due to continuing operational issues and concerns over workload and training for controllers and pilots. Third, the role of non-government third parties in developing RNAV/RNP procedures is unclear, and industry representatives are skeptical of FAA's ability to deliver the more complex procedures in a timely manner.

In addition, FAA has not yet made adjustments to key programs that will be needed to realize the expected benefits of RNAV and RNP, such as airspace redesign efforts. Currently, FAA is pursuing six airspace projects nationwide, including a major but controversial effort to revamp airspace in the New York/New Jersey/Philadelphia area. A level of coordination between airspace redesign projects and RNAV/RNP procedures—which currently does not exist—will be essential as procedures move beyond overlays and local operations to networking routes between city pairs.

As we noted in July 2009,¹⁷ several areas will require sustained management attention to get RNAV and RNP on track. These include producing quality RNP procedures that have significant benefits rather than focusing on the number of procedures, establishing priorities for new routes and funding requirements for related airspace redesign projects, ensuring air traffic controllers and pilots are properly trained on procedures before they are implemented, and developing an effective oversight strategy for the third parties.

¹⁶ RNAV is a method of navigation in which aircraft use avionics, such as Global Positioning Systems, to fly any desired flight path without the limitations imposed by ground-based navigation systems. RNP is a form of RNAV that adds on-board monitoring and alerting capabilities for pilots; thus, allowing aircraft to fly more precise flight paths.

¹⁷ OIG Testimony CC-2009-086, Challenges in Implementing Performance-Based Navigation in the U.S. Air Transportation System, July 29, 2009.



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Improving Programs for Developing the Next Generation of Air Traffic Controllers Over the next decade, FAA plans to hire and train nearly 15,000 new controllers to replace those who are close to retirement. Ensuring that these controllers are properly trained and certified at FAA's more than 300 air traffic control facilities is a key watch item for the Department and Congress. Currently, new controllers require 2 to 3 years of training before they are able to fully certify at their assigned location.

Effective national oversight and accurate metrics for measuring progress are critical tools for addressing this challenge. Since 2004, we have issued a series of reports focusing on FAA's programs for developing the air traffic controller workforce. Our work has repeatedly found that improved national oversight is needed. FAA is taking some steps to address our concerns such as appointing a national director for training and creating a national training data base to centrally monitor progress at individual locations. However, our current work shows that continued management focus is still needed.

Most recently, we reported that FAA does not have accurate metrics for effectively monitoring training failures among newly hired air traffic controllers to identify trends and take corrective actions.¹⁸ Effective national oversight of controller training is even more critical as FAA now relies heavily on outside contractor support to accomplish this mission. In September 2008, FAA awarded a 10-year, nearly \$900 million contract to Raytheon Technical Services Corporation to provide extensive training support for controllers. Our past work has shown that FAA has a poor track record in effectively managing and overseeing large acquisition and support services contracts.

FAA must also focus on its programs for screening and placing new controllers with no prior air traffic control experience—whose numbers increased from 7 percent of all newly hired controllers to over 72 percent in just a year and a half. Initial results of our current review of new controller screening and placement indicate that FAA needs to improve its process for integrating new controllers into the workforce. Currently, FAA places new controllers at locations based primarily on preferences rather than on potential abilities and likelihood of success. In fact, controller candidates are assigned to a facility even before entering initial training at the FAA Academy.

¹⁸ OIG Report Number AV- 2009-059, Training Failures Among Newly Hired Air Traffic Controllers, June 8, 2009.

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Related Products The following related reports and testimonies can be found on the OIG website at <http://www.oig.dot.gov>.

- Challenges in Implementing Performance-Based Navigation in the U.S. Air Transportation System, July 29, 2009.
- Training Failures Among Newly Hired Air Traffic Controllers, June 8, 2009.
- Progress and Remaining Challenges in Reducing Flight Delays and Improving Airline Customer Service, May 20, 2009.
- Aviation Industry Performance: A Review of the Aviation Industry in 2008, May 6, 2009.
- Controller Staffing at Key California Air Traffic Control Facilities, April 23, 2009.
- Federal Aviation Administration: Actions Needed To Achieve Mid-Term NextGen Goals, March 18, 2009.
- Key Issues for Reauthorizing the Federal Aviation Administration, February 11, 2009.
- Observations on Short-Term Capacity Initiatives, September 26, 2008.

For more information on the issues identified in this chapter, please contact Lou Dixon, Assistant Inspector General for Aviation and Special Programs, at (202)-366-0500.

Improving Contract Management and Oversight



Source: AAA Foundation for Traffic Safety, used with permission

DOT spent about \$5.5 billion in fiscal year 2009¹⁹ on contracts for goods and services to support its mission, ranging from strategic planning and program management to software engineering and road maintenance. Our audits and investigations continue to find weaknesses in the Department's contract planning, administration, and oversight. Recent Governmentwide efforts to stimulate the economy and reduce spending heighten the need for DOT to address these weaknesses.²⁰

Key Challenges

- Strengthening DOT's suspension and debarment program to effectively safeguard against awards to improper parties.
- Improving award-fee contracting processes to meet acquisition outcomes.
- Maintaining high ethical standards among DOT employees and fund recipients.

¹⁹ Based on data from the Federal Procurement Data System-Next Generation (FPDS-NG) provided by DOT's Office of the Senior Procurement Executive.

²⁰ In July 2009, the Office of Management and Budget issued a Governmentwide memorandum requiring agencies to (1) review their existing contracts and acquisition practices and develop a plan to save 7 percent of baseline contract spending by the end of fiscal year 2011 and (2) reduce by 10 percent the share of dollars obligated in fiscal year 2010 under new contract actions awarded with high-risk contracting authorities.

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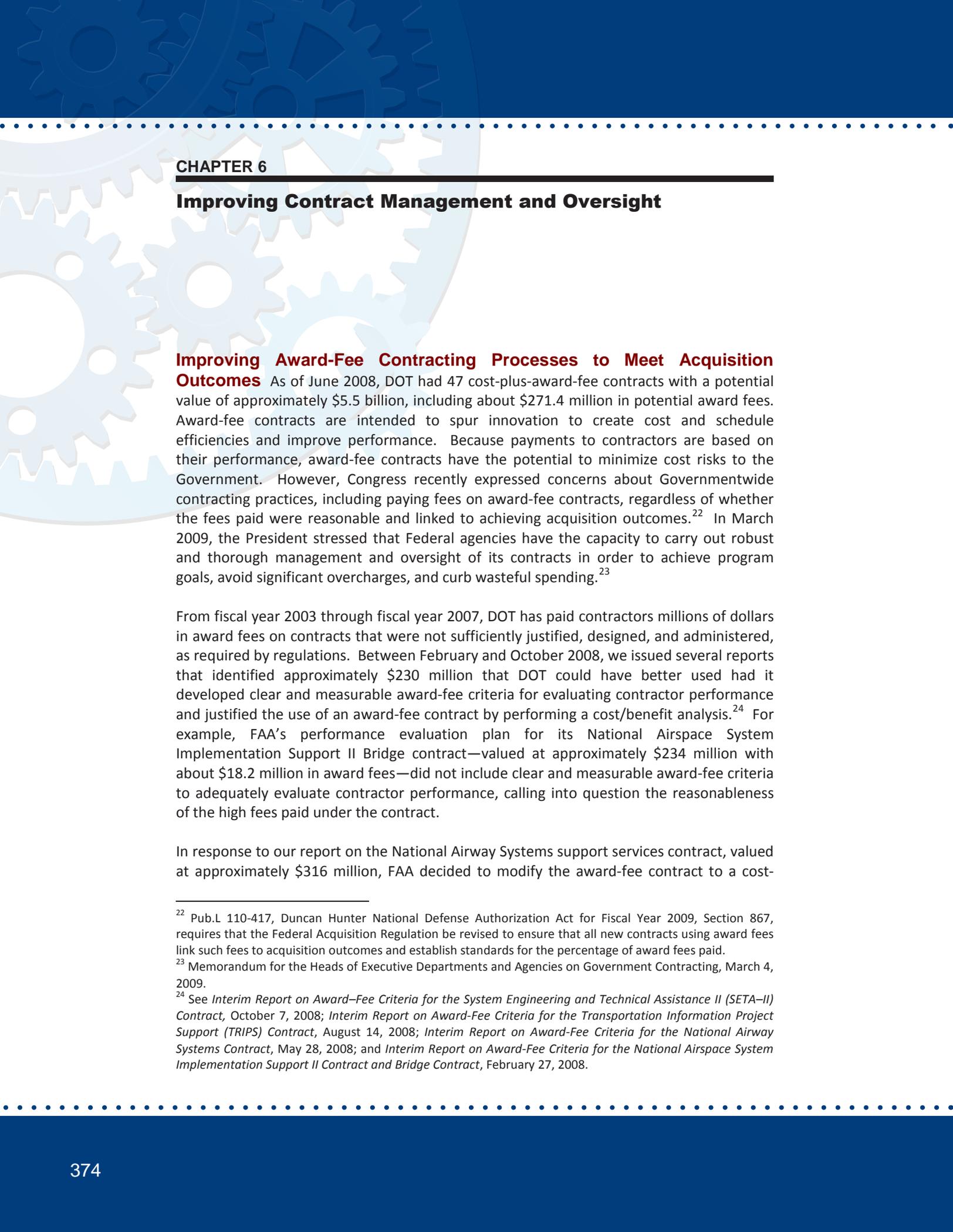
Improving Contract Management and Oversight

Strengthening DOT's Suspension and Debarment Program To Effectively Safeguard Against Awards to Improper Parties To better ensure taxpayer dollars are spent wisely, Federal suspension and debarment (S&D) regulations permit agencies to exclude unethical, dishonest, or otherwise irresponsible businesses and individuals from receiving Federal contracts and grants. Over the past 2 years, we have identified weaknesses in DOT's S&D program that increase the risk of awarding contracts and grants to irresponsible contractors—a risk that has escalated with the recent disbursement of Recovery Act funds.

Of particular concern are the significant delays in making and reporting S&D decisions. Timely S&D decisions and reporting are critical to helping ensure that government contractors who have acted unethically do not receive additional government dollars. In June 2005, DOT revised its S&D policy to include established deadlines for making S&D decisions. However, our ongoing work indicates that Operating Administrations' S&D processes remain inefficient and time-consuming. For example, between June 2005 and December 2008, FAA, FHWA, and FTA took an average of 301 days to make a suspension decision and 415 days to make a debarment decision. DOT's revised policy also calls for timely reporting of S&D decisions to the General Services Administration (GSA) and annual reporting of all S&D actions. Yet nearly half of the decisions we reviewed were not entered into GSA's Excluded Party Listing System in accordance with DOT's 5-day requirement—and almost one-quarter of these were delayed by more than 3 months.

DOT has taken several actions in response to our May 2009 ARRA Advisory, which highlighted our concerns about the efficiency and effectiveness of its Suspension and Debarment Program.²¹ For example, DOT issued a memorandum clarifying its policies for making and reporting S&D actions. Also, DOT a recently drafted and distributed for review a new S&D Order. Ensuring Operating Administrations understand and adhere to these policies—along with other needed actions to address weaknesses we identified—will be critical to establishing an efficient and effective S&D program.

²¹ U.S. Department of Transportation, Office of Inspector General, *ARRA Advisory – DOT's Suspension and Debarment Program*, AA-2009-001, May 18, 2009. OIG reports can be found on our website: www.oig.dot.gov.



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Improving Contract Management and Oversight

Improving Award-Fee Contracting Processes to Meet Acquisition Outcomes

As of June 2008, DOT had 47 cost-plus-award-fee contracts with a potential value of approximately \$5.5 billion, including about \$271.4 million in potential award fees. Award-fee contracts are intended to spur innovation to create cost and schedule efficiencies and improve performance. Because payments to contractors are based on their performance, award-fee contracts have the potential to minimize cost risks to the Government. However, Congress recently expressed concerns about Governmentwide contracting practices, including paying fees on award-fee contracts, regardless of whether the fees paid were reasonable and linked to achieving acquisition outcomes.²² In March 2009, the President stressed that Federal agencies have the capacity to carry out robust and thorough management and oversight of its contracts in order to achieve program goals, avoid significant overcharges, and curb wasteful spending.²³

From fiscal year 2003 through fiscal year 2007, DOT has paid contractors millions of dollars in award fees on contracts that were not sufficiently justified, designed, and administered, as required by regulations. Between February and October 2008, we issued several reports that identified approximately \$230 million that DOT could have better used had it developed clear and measurable award-fee criteria for evaluating contractor performance and justified the use of an award-fee contract by performing a cost/benefit analysis.²⁴ For example, FAA's performance evaluation plan for its National Airspace System Implementation Support II Bridge contract—valued at approximately \$234 million with about \$18.2 million in award fees—did not include clear and measurable award-fee criteria to adequately evaluate contractor performance, calling into question the reasonableness of the high fees paid under the contract.

In response to our report on the National Airway Systems support services contract, valued at approximately \$316 million, FAA decided to modify the award-fee contract to a cost-

²² Pub.L. 110-417, Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Section 867, requires that the Federal Acquisition Regulation be revised to ensure that all new contracts using award fees link such fees to acquisition outcomes and establish standards for the percentage of award fees paid.

²³ Memorandum for the Heads of Executive Departments and Agencies on Government Contracting, March 4, 2009.

²⁴ See *Interim Report on Award-Fee Criteria for the System Engineering and Technical Assistance II (SETA-II) Contract*, October 7, 2008; *Interim Report on Award-Fee Criteria for the Transportation Information Project Support (TRIPS) Contract*, August 14, 2008; *Interim Report on Award-Fee Criteria for the National Airway Systems Contract*, May 28, 2008; and *Interim Report on Award-Fee Criteria for the National Airspace System Implementation Support II Contract and Bridge Contract*, February 27, 2008.

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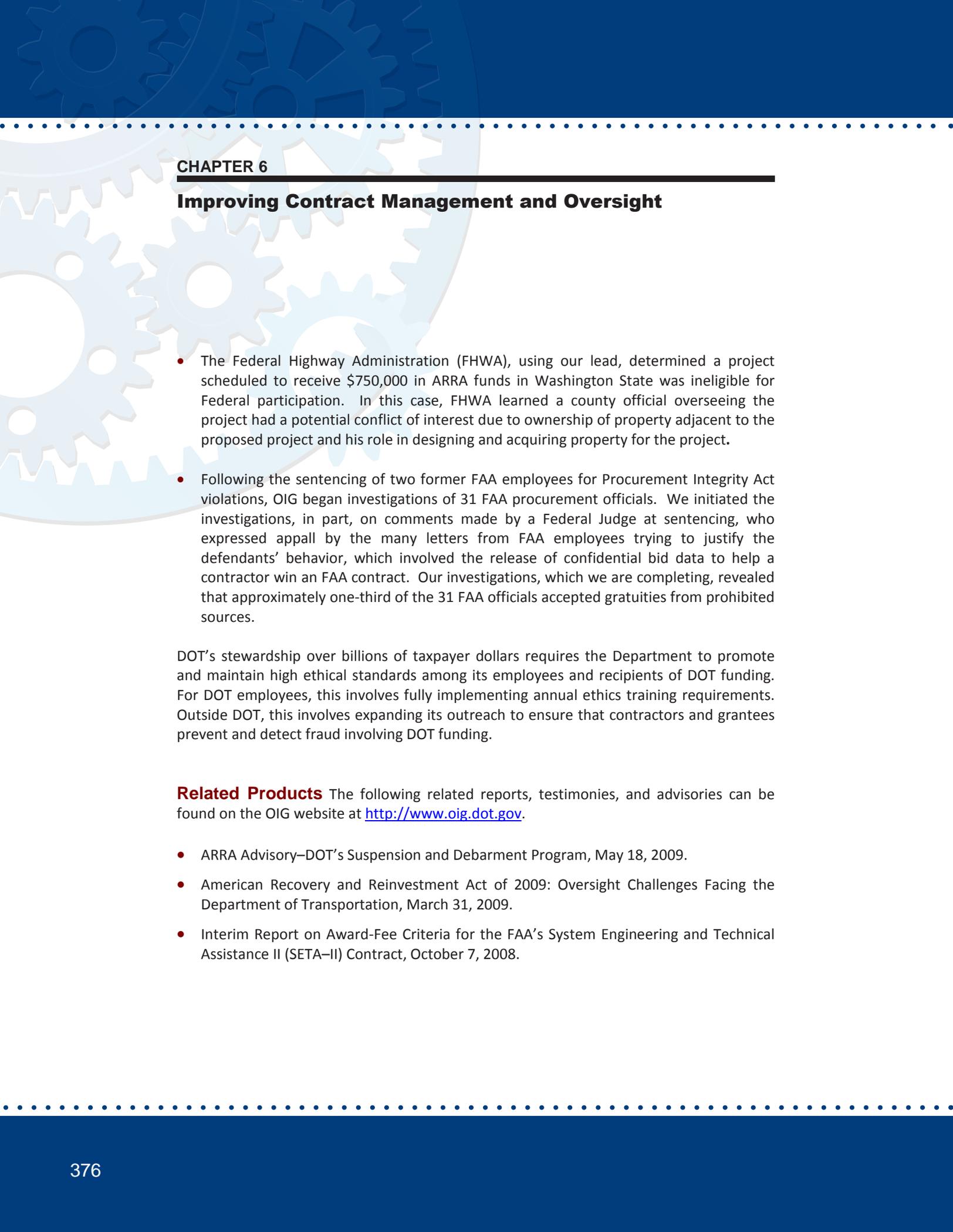
plus-fixed-fee contract because the cost and time required for it to oversee, monitor, and document the award-fee process outweighed the benefits to administer the contract. To better ensure taxpayer dollars are used efficiently, FAA will need to continue to take such actions. Moreover, it will need to provide guidance and training to its acquisition workforce to ensure the use of these contracts is justified and that its award-fee contracts are designed and administered appropriately to help ensure they achieve intended acquisition outcomes. Without such actions, the costs risks to the American taxpayer are significant.

Maintaining High Ethical Standards Among DOT Employees and Fund Recipients

Ensuring DOT employees, contractors, and their grantees focus on preventing, detecting, and reporting potential fraud is essential to ensuring transparency and accountability. DOT's oversight of over \$40 billion in Recovery Act funds heightens the importance of vigilance on ethics training and awareness. While DOT has an annual ethics training program for its acquisition and grant management personnel, the Department and its Operating Administrations need to keep a sustained focus to fully implement this important annual training requirement. The Department also needs to increase its outreach to recipients of DOT funding to ensure they and their contractors have meaningful ethics programs and sound internal controls to prevent and detect fraud involving DOT funding.

Contract and grant fraud cases currently comprise about 36 percent of active OIG investigations, and employee integrity cases represent about 10 percent. The following examples of OIG investigations illustrate the need for DOT's continued attention to procurement integrity issues:

- A former New Jersey FAA supervisor was sentenced to 2 years' imprisonment for accepting bribes from a computer engineering company to which he issued \$2.5 million in purchase orders.



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- The Federal Highway Administration (FHWA), using our lead, determined a project scheduled to receive \$750,000 in ARRA funds in Washington State was ineligible for Federal participation. In this case, FHWA learned a county official overseeing the project had a potential conflict of interest due to ownership of property adjacent to the proposed project and his role in designing and acquiring property for the project.
- Following the sentencing of two former FAA employees for Procurement Integrity Act violations, OIG began investigations of 31 FAA procurement officials. We initiated the investigations, in part, on comments made by a Federal Judge at sentencing, who expressed appall by the many letters from FAA employees trying to justify the defendants' behavior, which involved the release of confidential bid data to help a contractor win an FAA contract. Our investigations, which we are completing, revealed that approximately one-third of the 31 FAA officials accepted gratuities from prohibited sources.

DOT's stewardship over billions of taxpayer dollars requires the Department to promote and maintain high ethical standards among its employees and recipients of DOT funding. For DOT employees, this involves fully implementing annual ethics training requirements. Outside DOT, this involves expanding its outreach to ensure that contractors and grantees prevent and detect fraud involving DOT funding.

Related Products The following related reports, testimonies, and advisories can be found on the OIG website at <http://www.oig.dot.gov>.

- ARRA Advisory—DOT's Suspension and Debarment Program, May 18, 2009.
- American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation, March 31, 2009.
- Interim Report on Award-Fee Criteria for the FAA's System Engineering and Technical Assistance II (SETA-II) Contract, October 7, 2008.

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- Interim Report on Award-Fee Criteria for the Transportation Information Project Support (TRIPS) Contract, August 14, 2008.
- Interim Report on Award-Fee Criteria for the National Airway Systems Contract, May 28, 2008.
- Interim Report on Award-Fee Criteria for the National Airspace System Implementation Support II Contract and Bridge Contract, February 27, 2008.

For more information on the issues identified in this chapter, please contact Mark Zabarsky, Assistant Inspector General for Procurement and Acquisition Audits, at (202) 366-5225 and Timothy Barry, Principal Assistant Inspector General for Investigations, at (202) 366-1967.

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Source: Federal Aviation Administration

In May 2009, the White House reported on the urgent need to secure the Nation's digital infrastructure from hackers, who "pose some of the most serious economic and national security challenges of the 21st Century."²⁵ DOT's financial systems manage and disburse over \$50 billion in Federal funds each year. At the same time, DOT's information technology (IT) budget covers more than 400 information systems across its 13 Operating Administrations—nearly two-thirds of which belong to the Federal Aviation Administration (FAA). Given the scope and complexity of these systems, it is critical that DOT effectively manage and secure its IT resources.

Key Challenges

- Establishing a robust information security program to support the Department's missions.
- Increasing security protection and resilience of the air traffic control system to reduce the risks of cyber attacks.

²⁵ Cyberspace Policy Review Report "Assuring a Trusted and Resilient Information and Communication Infrastructure," May 2009.

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- Strengthening the privacy protection program to secure personally identifiable information.
- Enhancing control of IT investments through oversight and accountability.

Establishing a Robust Information Security Program to Support the Department's Missions The Federal Information Security Management Act of 2002 requires each agency to establish an information security program to help protect agency information systems. Last year, we reported that the Department's information security program was ineffective in meeting Federal IT security standards. While the Department made progress in enhancing security protection during fiscal year 2009, it continues to face several challenges.

First, persistent security deficiencies in key control areas—including management of information security weaknesses, system authorization, configuration management, security awareness and training, and contingency planning—continue to make the Department vulnerable to cyber attacks. For example, in February 2009, hackers gained unauthorized access to the personal records of 48,000 current and former FAA employees. To build an information security program that adequately protects DOT from cyber threats, the Department needs to address these security deficiencies in a manner that is sustainable and flexible enough to allow DOT to quickly adapt to avert new threats.

Second, the Department's Chief Information Officer (CIO) continues to lack sufficient influence over DOT's Operating Administrations. Unlike some Federal agencies, DOT's CIO does not have budget or performance evaluation authority over Operating Administrations. In response to this concern, the CIO developed performance objectives to be included in each modal CIO's performance plan. However, the CIO's office does not provide input into modal performance evaluations. Until the Department's CIO can influence Operating Administration's CIO performance, DOT policy may not get implemented.

Finally, DOT has yet to meet OMB's October 2008 deadline for issuing Personal Identity Verification (PIV) cards to employees and contractors—a key governmentwide initiative to secure Federal information and information systems. The responsibility of managing PIV card issuance is shared among the CIO, the Assistant Secretary of Administration, and FAA. As of September 2009, only 31 percent of DOT's approximately 75,000 employees and contractors had a PIV card. Despite this significant lag in implementing OMB's directive,



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DOT has yet to develop a plan to complete issuance of PIV cards to its remaining employees and contractors. In addition, the Department lacks an approved process for issuing PIVs and does not adequately secure the information systems used to store, process, and transmit personally identifiable information. Until DOT takes action to address these weaknesses, the Department not only risks issuing PIVs to non-DOT employees and contractors, it cannot secure personal information such as Social Security numbers (SSN).

Increasing Security Protection and Resilience of the Air Traffic Control System To Reduce the Risks of Cyber Attacks To modernize air traffic control systems, FAA is increasingly relying on the use of Internet Protocol (IP)-based commercial software rather than proprietary software. While this strategy has enabled FAA to efficiently collect and disseminate information to facilitate air traffic control services, it poses a higher security risk due to the vulnerabilities inherent in using commercial IP products.

Web applications used in supporting air traffic control systems have been vulnerable to attacks. For example, in August 2008, hackers executed malicious codes and took control of FAA's critical network servers. We were also able to gain unauthorized access to an air traffic control system used to monitor critical power supply at six en route centers—which control high-altitude traffic and disseminate flight plan information to all other air traffic control facilities. While most cyber attacks to date have primarily disrupted FAA's traffic control mission-support function, the threat to real-time control services exists. FAA needs to ensure Web applications are configured according to security standards.

The Department's Cyber Security Management Center (CSMC) has limited capability to monitor and detect cyber incidents in air traffic control facilities. When cyber incidents have been detected, remediation has not always been timely. For example, none of the air traffic control operational systems at FAA air traffic control facilities were monitored by CSMC, and 17 percent of the security incidents detected at FAA in fiscal year 2008 remained unresolved at the end of the year. Without comprehensive monitoring and timely remediation of identified cyber threats, air traffic control systems remain vulnerable to catastrophic subterfuge. FAA needs to assign priority to implementing its corrective actions.

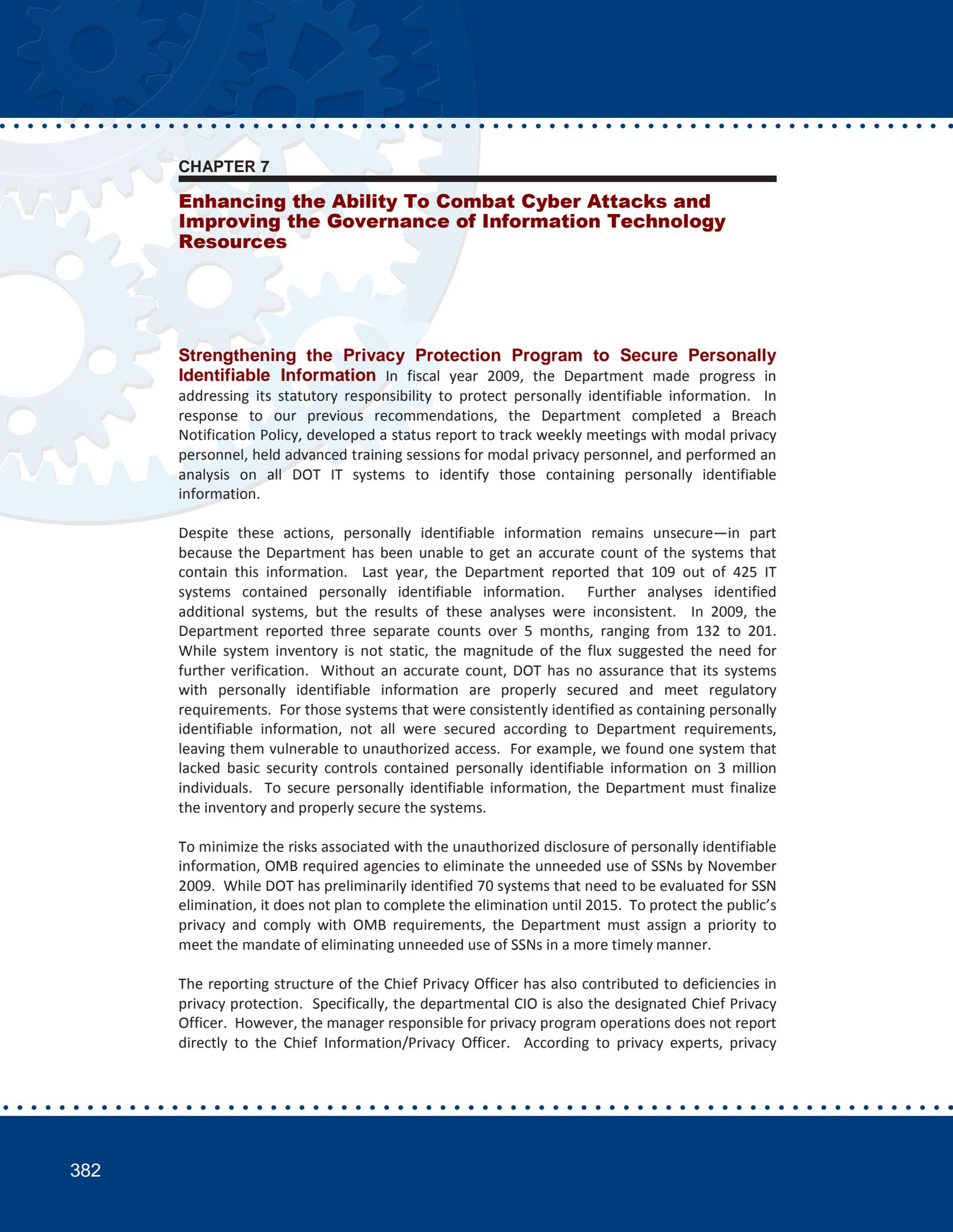
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FAA also lacks sufficient on-site review procedures to ensure required security controls are in place. FAA has enhanced the process used to review and certify the adequacy of security for air traffic control systems deployed to operational sites. However, the process still lacks an effective means to target security reviews for operational sites at risk of having unauthorized system configurations. These configuration variances have led to security weaknesses and disrupted system operations. For example, flight data supporting various services had to be manually disseminated. In addition, security reviews conducted at operational sites to ensure proper implementation of security controls relied primarily on interviews with system operators and lacked examination and testing. FAA needs to strengthen security reviews of air traffic control systems supporting live operations.

In the event air traffic control systems are disrupted—either maliciously or inadvertently—a Homeland Security Presidential Directive requires the Department to resume essential services in a timely manner to minimize the impact on the Nation’s economy and citizens’ mobility and safety. FAA is in the final stage of implementing a recovery center where operations would be resumed if any en route center becomes inoperable. However, FAA must conduct a more comprehensive analysis of the impact on domestic air travel and demonstrate that activating the recovery center will not compromise its safety.

The potential for exploitation of air traffic control systems is expected to increase with FAA’s implementation of the NextGen—a multibillion dollar system that will adopt IP-based commercial software and Web-enabled design technologies to collect, exchange, and disseminate air traffic information among controllers, pilots, support staff, and industry partners. While NextGen has great potential to improve air travel, the White House Cyberspace Policy Review report emphasized the importance of developing a robust security design for NextGen. Another concern is the level of oversight needed to ensure security is properly reserved in contractor-owned systems, such as NextGen’s nationwide ground infrastructure, and their interface with the rest of air traffic control infrastructure.



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Strengthening the Privacy Protection Program to Secure Personally Identifiable Information In fiscal year 2009, the Department made progress in addressing its statutory responsibility to protect personally identifiable information. In response to our previous recommendations, the Department completed a Breach Notification Policy, developed a status report to track weekly meetings with modal privacy personnel, held advanced training sessions for modal privacy personnel, and performed an analysis on all DOT IT systems to identify those containing personally identifiable information.

Despite these actions, personally identifiable information remains unsecure—in part because the Department has been unable to get an accurate count of the systems that contain this information. Last year, the Department reported that 109 out of 425 IT systems contained personally identifiable information. Further analyses identified additional systems, but the results of these analyses were inconsistent. In 2009, the Department reported three separate counts over 5 months, ranging from 132 to 201. While system inventory is not static, the magnitude of the flux suggested the need for further verification. Without an accurate count, DOT has no assurance that its systems with personally identifiable information are properly secured and meet regulatory requirements. For those systems that were consistently identified as containing personally identifiable information, not all were secured according to Department requirements, leaving them vulnerable to unauthorized access. For example, we found one system that lacked basic security controls contained personally identifiable information on 3 million individuals. To secure personally identifiable information, the Department must finalize the inventory and properly secure the systems.

To minimize the risks associated with the unauthorized disclosure of personally identifiable information, OMB required agencies to eliminate the unneeded use of SSNs by November 2009. While DOT has preliminarily identified 70 systems that need to be evaluated for SSN elimination, it does not plan to complete the elimination until 2015. To protect the public's privacy and comply with OMB requirements, the Department must assign a priority to meet the mandate of eliminating unneeded use of SSNs in a more timely manner.

The reporting structure of the Chief Privacy Officer has also contributed to deficiencies in privacy protection. Specifically, the departmental CIO is also the designated Chief Privacy Officer. However, the manager responsible for privacy program operations does not report directly to the Chief Information/Privacy Officer. According to privacy experts, privacy

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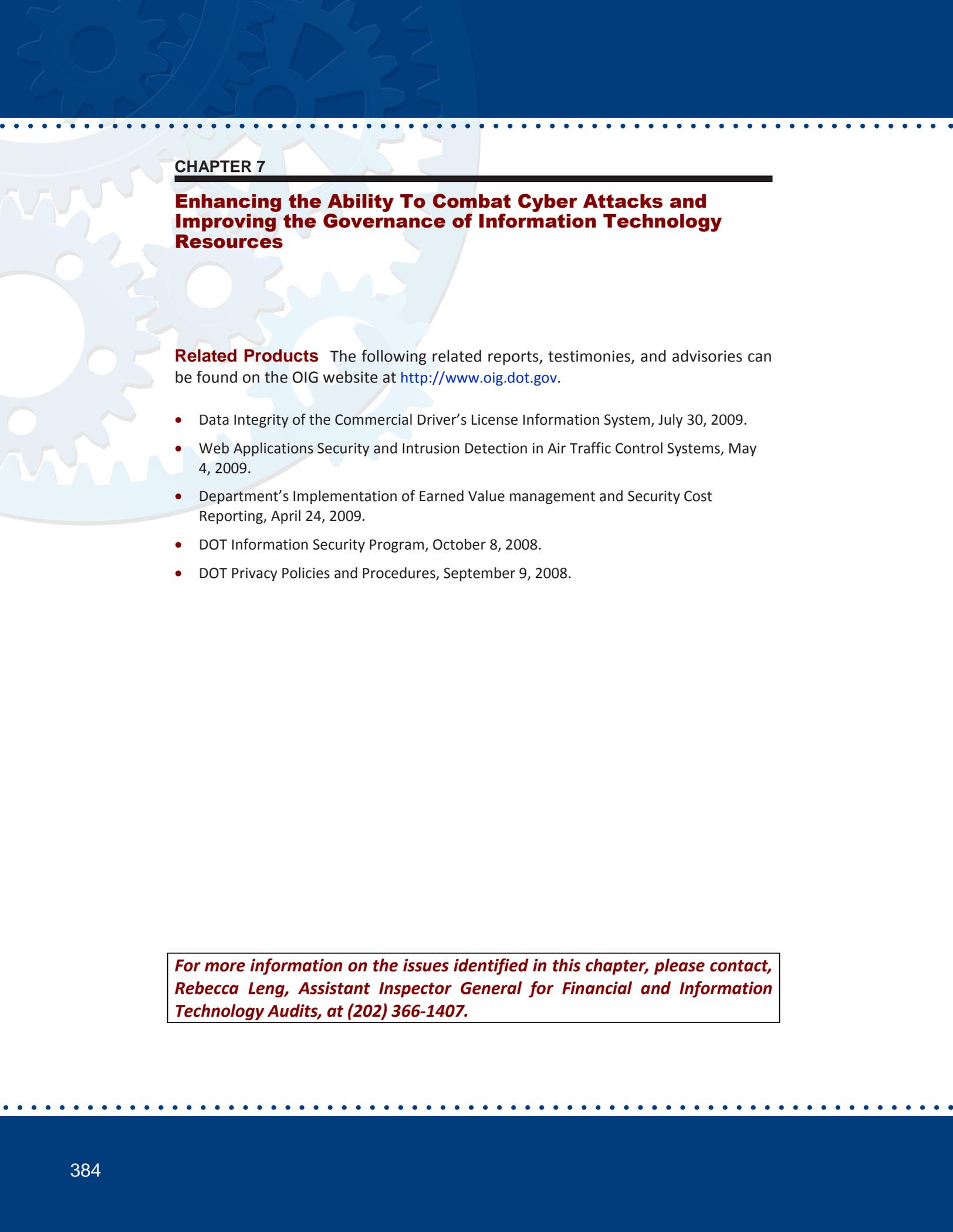
officials require direct access to top management to better ensure the timely implementation of sound privacy policies and processes. In view of continued deficiencies in this area, the Department needs to re-evaluate the reporting structure of the privacy program.

Enhancing Controls of IT Investments through Oversight and Accountability

The Clinger-Cohen Act of 1996²⁶ requires Federal agencies to establish effective management structures to govern and improve IT investments. With close to \$3 billion annual IT investments, the Department is responsible for managing one of the largest IT portfolios among civilian agencies and relies on cost and schedule variances for early identification of investments that require management attention. Both OMB and the Department require Operating Administrations to use Earned Value Management (EVM)—which compares the value of work accomplished in a given period against the planned value of work scheduled for that period—to compile the cost and schedule variances. However, Operating Administrations did not specify EVM requirements in acquisition contracts; contractors' systems for compiling EVM data were not certified, as required by OMB; and standard work breakdown structures were not used in compiling reliable EVM measures. In response, the Department issued detailed EVM implementation guidance. The Department needs to evaluate whether Operating Administrations have implemented the EVM system in compliance with Department guidance.

Another area requiring senior management's continued attention is the monitoring and oversight of the Department's major IT investment projects. The Department initially established an Investment Review Board to oversee DOT's major IT investments. In fiscal year 2007, the Department delegated oversight responsibility to Operating Administration review boards, which include modal CIOs, Chief Financial Officers, Heads or Chiefs of Contracting, Chief Counsels, and Administrators (if appropriate). However, Operating Administrations did not perform this duty properly. For example, some Operating Administrations were not meeting to review investments. The Department needs to hold Operating Administrations' senior management accountable for overseeing the performance of their major IT investment projects.

²⁶ Pub.L. 104-106, Information Technology Management Reform Act of 1996, February 10, 1996.



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Related Products The following related reports, testimonies, and advisories can be found on the OIG website at <http://www.oig.dot.gov>.

- Data Integrity of the Commercial Driver's License Information System, July 30, 2009.
- Web Applications Security and Intrusion Detection in Air Traffic Control Systems, May 4, 2009.
- Department's Implementation of Earned Value management and Security Cost Reporting, April 24, 2009.
- DOT Information Security Program, October 8, 2008.
- DOT Privacy Policies and Procedures, September 9, 2008.

For more information on the issues identified in this chapter, please contact, Rebecca Leng, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407.

CHAPTER 8

Developing a Funding Framework for the Next Surface Transportation Reauthorization



Source: Missouri Department of Labor and Industrial Relations

In fiscal year 2009, the Federal Government spent over \$38 billion to help states preserve and enhance America's roadways. Despite this spending, over one-half of the Nation's roads are in less than good condition and more than one-quarter of the Nation's bridges are structurally deficient or functionally obsolete. Further, this spending is mostly directed at existing infrastructure not on new capacity. Over the past few decades, the total number of miles traveled by automobiles and trucks roughly doubled, while total number of highway lane miles grew only 4.4 percent. The next surface transportation reauthorization will need to provide a comprehensive funding framework for addressing infrastructure needs.

Key Challenges

- Ensuring the short-term solvency of the Highway Trust Fund (HTF).
- Assessing the annual Federal funding needed to preserve and enhance surface transportation infrastructure.
- Developing a comprehensive funding framework for the future.

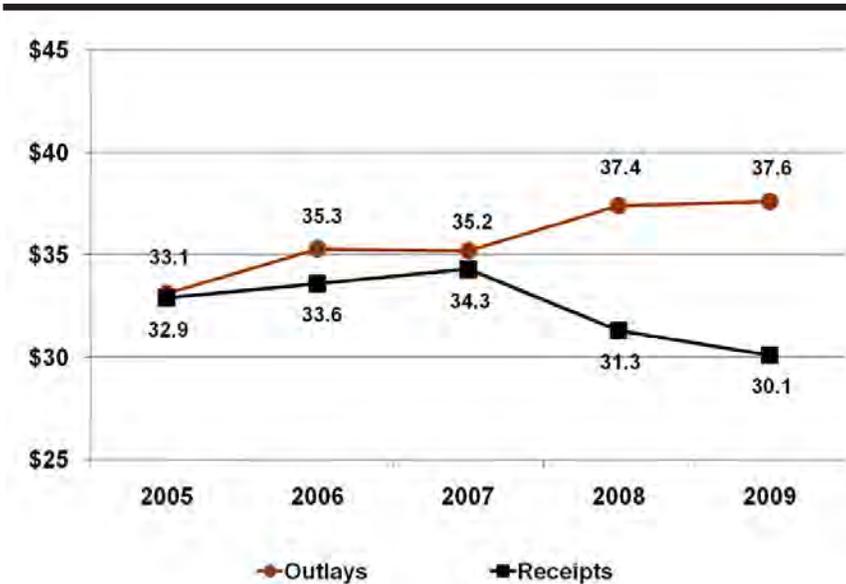
CHAPTER 8

Developing a Funding Framework for the Next Surface Transportation Reauthorization

Ensuring the Short-Term Solvency of HTF HTF confronted a severe cash crisis during each of the past 2 fiscal years, necessitating an \$8 billion and \$7 billion cash infusion from the general fund in fiscal years 2008 and 2009, respectively. Several actions contributed to this crisis.

First, beginning in FY 2001, halfway through the period authorized by the Transportation Equity Act for the 21st Century (TEA-21), outlays began to outpace receipts and erode a cash surplus. The surplus was further eroded following the enactment of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) in 2005, which increased contract authority over TEA-21 without an associated increase in receipts (see figure 8-1).

Figure 8-1. Highway Account - Comparison of Outlays to Receipts under SAFETEA-LU, Fiscal Year in Billions of Dollars



Note: Fiscal years 2008 and 2009 receipts do not include the \$8 billion and \$7 billion general fund transfers, respectively.

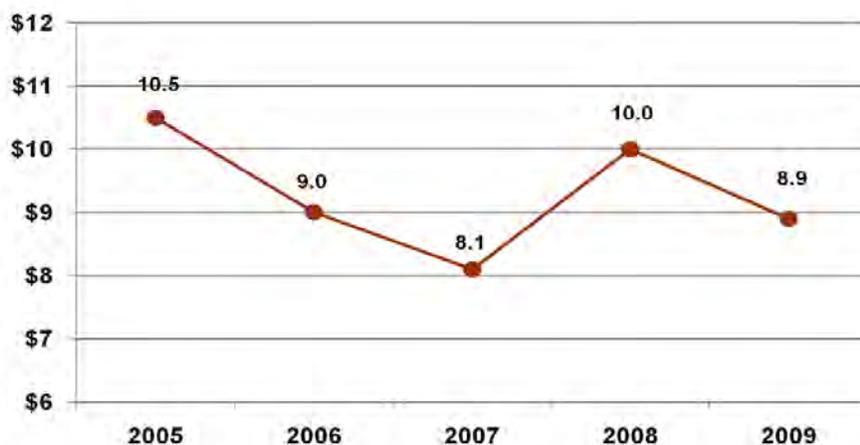
Source: Federal Highway Administration

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Developing a Funding Framework for the Next Surface Transportation Reauthorization

Second, the unforeseen decline in vehicle miles travelled over the past couple of years—due to high fuel prices and a lagging economy—also caused the Highway Account balance to decline more rapidly than anticipated (see figure 8-2). Barring congressional intervention, the Department would have been forced to reduce or suspend reimbursements to states for eligible highway expenditures.

Figure 8-2. Highway Account – Ending Cash Balance under SAFETEA-LU, Fiscal Year in Billions of Dollars



Source: Federal Highway Administration

Finally, because the current highway authorization, SAFETEA-LU, expired at the end of fiscal year 2009 and was extended rather than reauthorized, measures to address future shortfalls in HTF have yet to be addressed. To avoid disruptions in payments to states, the Department must work with Congress to manage HTF's on-going solvency concerns and replenish HTF funds.



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Assessing the Annual Federal Funding Needed To Preserve and Enhance Surface Transportation Infrastructure While the Department and Congress agree that the surface transportation infrastructure plays a key role in the growth of the Nation's economy and that an increase in Federal spending in support of surface transportation is needed, what the increase should be has yet to be determined.

The House Transportation and Infrastructure Committee recently proposed legislation that would channel \$500 billion—\$450 billion for highway, public transportation and safety programs and \$50 billion for high speed rail—in Federal funding to support state surface transportation programs over 6 years. This proposed funding level is significantly higher than the spending levels laid out in SAFETEA-LU, which authorized \$244 billion in Federal funding over a 5-year period.

While the Department recognizes the need for an increase in Federal spending in support of state highway programs, it has yet to propose spending levels for the next surface transportation reauthorization. Consequently, the Department must work closely with Congress and other stakeholder groups to develop a consensus on what an appropriate level of Federal surface infrastructure investment should be.

Developing a Comprehensive Funding Framework for the Future The Department's ability to reimburse states for authorized expenditures depends on the HTF balance, which has been declining steadily—partly because the fuel tax rate is not adjusted for inflation and has not been increased since 1993. Essentially, in response to unprecedented increases in fuel prices during fiscal year 2008, followed by the ongoing economic recession, motorists began cutting back on their driving and fuel purchases and purchases of new heavy trucks dropped dramatically, thereby generating fewer tax receipts for HTF. Since the beginning of SAFETEA-LU, the current funding mechanism was barely able to raise \$30 billion to \$34 billion annually for the Highway Account compared to annual outlays of \$33 billion to \$38 billion, which led to a significant deterioration in the cash available to HTF's Highway Account.

The current funding mechanism is unable to generate adequate cash receipts to meet current outlay levels, let alone the higher levels implied by an increase in the Federal funding for surface transportation. Since the Administration has opposed any increase in the gas tax given the economic environment, the Department will have to work closely

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with Congress, states, and other stakeholders to evaluate all options—including potential changes to the current funding mechanism as well as the use of alternative funding mechanisms—to address the resulting funding gap.

The Department must work with Congress to enact a comprehensive funding framework for the next surface transportation reauthorization that sufficiently increases HTF's cash receipts to match its outlays. Barring this, HTF will continue to experience cash shortfalls that could impede the flow of Federal funding for surface transportation.

Related Products The following related reports and testimonies can be found on the OIG website at <http://www.oig.dot.gov>.

- Letter to Senate Budget Committee Ranking Member Gregg Regarding DOT's Projections of Highway Trust Fund Solvency, June 24, 2009.
- Growth in Highway Construction and Maintenance Costs, September 26, 2007.
- Report on Federal Highway Administrations Oversight of Load Ratings and Postings on Structurally Deficient Bridges on the National Highway System, March 21, 2006.

For more information on the issues identified in this chapter, please contact Mitchell Behm, Program Director for Amtrak, High-Speed Rail, and Economic Analysis, at (202) 366-1995.

Strengthening the Department's Acquisition Workforce



Source: Colorado Department of Transportation, used with permission

OT's acquisition workforce is responsible for managing and overseeing the Department's contracts for goods and services, which DOT estimated at \$5.5 billion²⁷ in fiscal year 2009. Since 2001, human capital management has been identified as a Governmentwide high-risk area. With the expanding and increasingly complex acquisition workload, addressing this risk is critical.²⁸ Succession planning is a major concern across the Government—at DOT alone, about 46 percent of contracting specialists are eligible for retirement in less than 5 years. DOT has completed several initial assessments of its acquisition workforce to meet OMB and Office of Personnel Management mandates. However, DOT needs to do more to ensure it has the needed size and skill levels to support its mission, especially given its need to oversee billions of dollars in Recovery Act funds.

²⁷ Based on data from the Federal Procurement Data System-Next Generation (FPDS-NG) provided by DOT's Office of the Senior Procurement Executive.

²⁸ GAO, *High-Risk Series, An Update*, January 2009, GAO-09-271.

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Strengthening the Department's Acquisition Workforce

Key Challenges

- Addressing acquisition workforce retention and recruitment concerns.
- Ensuring a sufficient and competent acquisition workforce to meet mission needs.

Addressing Acquisition Workforce Retention and Recruitment Concerns

DOT's acquisition workforce is facing a potential retirement wave. According to the Federal Acquisition Institute, the percentage of current employees in DOT's contracting series²⁹ who are eligible to retire will more than triple—from 20 percent (77 employees) to 63 percent (241 employees)—between fiscal years 2008 and 2018 (see figure 9-1). This rate is about 10 percent higher than the average for civilian agencies. The bulk of contract specialists eligible to retire are experienced mid-managers, heightening the need for DOT's attention. While DOT developed a Strategic Acquisition Workforce Succession Plan in 2009, the plan is based on a Department survey of less than half of its acquisition workforce and may not adequately capture retirement rates.³⁰ For example, the plan shows an estimated 27 percent of DOT's contract series workforce will be eligible to retire in 2014, while the Federal Acquisition Institute estimates 47 percent will be retirement eligible in 2013. To better capture retirement rates, DOT may need to reevaluate its succession plan and the underlying acquisition workforce data upon which it is based.

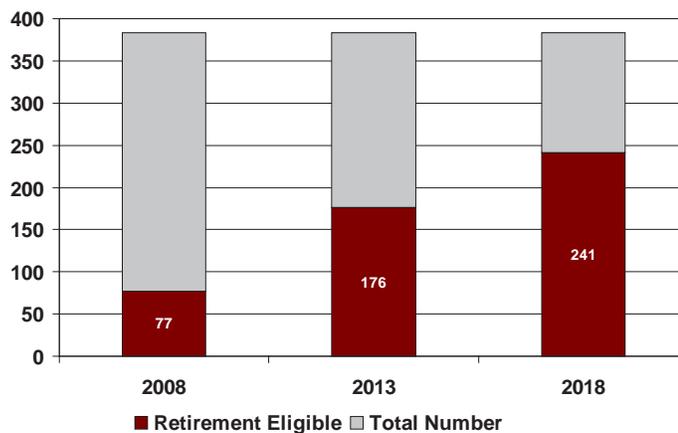
²⁹ Under U.S. Office of Personnel Management position classification standards, the contracting series (GS-1102) includes positions that manage, supervise, perform, or develop policies and procedures for professional work involving the procurement of supplies, services, construction, or research and development using formal advertising or negotiation procedures; the evaluation of contract price proposals; and the administration or termination and close out of contracts.

³⁰ DOT had a 44.7 percent survey response rate; 553 of DOT's acquisition employees in the following work areas responded to the survey: contracting (1102s), COTRs, and project managers.

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Strengthening the Department's Acquisition Workforce

Figure 9-1. Retirement Eligibility of DOT's Contracting Series Workforce by Fiscal Year



Source: Federal Acquisition Institute Fiscal Year 2008 Annual Report on the Federal Acquisition Workforce

DOT has taken actions to address recruitment and retention issues facing its acquisition workforce, including establishing an Acquisition Workforce Working Group, comprised of contracting and human resource officials from across the Department, to focus on these issues. FAA similarly created action teams to develop plans and identify resources required to implement strategies for core National Airspace Systems projects.

DOT has defined acquisition as a mission critical function. As such, the Department needs to keep moving forward in implementing initiatives to strategically assess its acquisition workforce to ensure it is sufficient and competent.

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Ensuring a Sufficient and Competent Acquisition Workforce To Meet Mission Needs

In February 2009, DOT issued its first Strategic Acquisition Workforce Succession Plan.³¹ However, according to a senior Office of Senior Procurement Executive official responsible for workforce issues, DOT did not thoroughly assess its acquisition workforce and contract needs across the Department. While DOT has completed an inventory of acquisition positions for contracting officers and specialists, program managers, and contracting officer technical representatives (COTR), the plan does not show the relationship between its existing and planned contract awards and the acquisition workforce needed to accomplish this work. The Department has also identified hiring, retention, and skills development strategies to address its acquisition workforce needs. However, Operating Administrations have not made sufficient progress in implementing these strategies—in part because DOT has not determined the optimal size for its workforce or planned for obtaining needed resources and staff to implement the strategies and the new demands of ARRA.

At the same time, DOT issued an Acquisition Workforce Gap Analysis and Improvement Plan that highlights weaknesses in several key competencies in its contracting, COTR, and project manager functions (see table 9-1).³²

Table 9-1. Key Competency Gaps by Function

Contracting	COTRs	Project Managers
<ul style="list-style-type: none"> Defining government requirements Defining performance-based acquisitions Conducting proposal analysis and evaluation 	<ul style="list-style-type: none"> Pre-award communication Contract management 	<ul style="list-style-type: none"> Business cost-estimating and financial management Life cycle logistics Contracting

Source: OIG analysis of DOT's Acquisition Workforce Gap Analysis and Improvement Plan

DOT is designing strategies to address several of these gaps, and in June 2009, submitted a progress report to OPM on its efforts. For example, DOT reported that the Office of the Senior Procurement Executive has begun to develop a training curriculum for program

³¹ DOT developed the -plan to meet National Defense Authorization Act, Fiscal Year 2008, Pub.L. 110-181, 855, which required agencies to address recruitment and training needs of their acquisition workforce.

³² The plan used results from the Federal Acquisition Institute's (FAI) 2008 survey of the Federal acquisition workforce, based on the FAI's Federal Competency Assessment Tool-Acquisition Workforce.



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managers, and that several Operating Administrations developed their own training plans for their program managers. While training strategies are likely needed given project management's role in the day-to-day planning and oversight of acquisitions, it is not clear that DOT's efforts are appropriately targeted because its gap analysis is based on the Department's survey of less than half of its acquisition workforce. To better prioritize its acquisition workforce development strategies, DOT will need to base future improvements on surveys that are more representative of its workforce.

FAA, whose procurement function is autonomous from DOT's, has made some progress in developing an acquisition workforce plan and created action teams to implement it.³³ The plan is based on FAA's Lifecycle Management Process, which is used to manage the acquisition of major capital investments supporting the National Airspace System. Consistent with other Federal agencies that manage large procurements, FAA broadly defines its acquisition workforce to include employees in disciplines such as research/engineering, business and finance, and test and evaluation. Based on its need to sustain systems and support new Next Generation Air Transportation System programs, FAA's plan identifies a requirement to increase the acquisition workforce by 35 percent (as least 350 positions) through fiscal year 2011.³⁴ FAA faces significant challenges in implementing its acquisition workforce plan, including executing a sourcing/hiring plan; reviewing acquisition supply/demand across the organization to meet priorities; creating an acquisition career development plan; and institutionalizing an acquisition workforce planning process.

DOT also established career development programs to help ensure that its acquisition workforce meets Federal Acquisition Institute and OMB certification requirements. FAA, while not covered by these mandates, established similar career development programs. However, all of DOT's workforce is not yet certified to the level as required for their positions. DOT will need to ensure that its managers provide sufficient funds and time for staff to complete required certification and training requirements and that its workforce follows through to meet these requirements.

³³ FAA is exempt from the Federal Procurement Policy Act.

³⁴ Increased positions are based on a comparison of existing positions for the first quarter of fiscal year 2009 to projected staffing needs at the end of fiscal year 2011.

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Related Product The following related report can be found on the OIG website at <http://www.oig.dot.gov>.

- American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation, March 31, 2009.

For more information on the issues identified in this chapter, please contact Mark Zabarsky, Assistant Inspector General for Procurement and Acquisition Audits, at (202) 366-5225.

Successfully Implementing the Newly Created Multi-Billion Dollar High-Speed Intercity Passenger Rail Program



In April 2009, the President, along with the Vice President and the Transportation Secretary, announced a new vision for a national network of high-speed rail corridors.³⁵ Implementing DOT's High-Speed Intercity Passenger Rail (HSIPR) Program represents a significant change to the Nation's transportation system—one that will require substantial planning on the part of states and the Federal Government. Three key pieces of legislation establish the framework for HSIPR: DOT Appropriations Acts for fiscal years 2008 and 2009, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), and the American Recovery and Reinvestment Act of 2009 (ARRA).

Key Challenges

- Designing and implementing the HSIPR program from the ground up.
- Establishing policies and practices for the program's grant lifecycle process and oversight activities.

³⁵ High-speed rail is a family of transportation options that address longer-distance passenger transport needs in heavily populated corridors.

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Successfully Implementing the Newly Created Multi-Billion Dollar High-Speed Intercity Passenger Rail Program

Designing and Implementing the HSIPR Program from the Ground Up

The HSIPR program demands that the Federal Railroad Administration (FRA) undergo a major organizational transformation, from a relatively small agency focused primarily on rail safety issues to a grant-making agency responsible for starting up a large, long-term program—one that is likely to receive significant public attention and scrutiny. Taking on the new responsibilities that come with this transformation has been a challenge for FRA. Consequently, FRA asked Congress to increase the amount of ARRA funds it can use to set up, administer, and oversee the HSIPR program from \$20 million to \$80 million—or 1 percent of its total ARRA funding. FRA has also requested an additional 27 full-time equivalents (FTE) in its fiscal year 2010 budget—a large portion of which are planned to help support the HSIPR program.³⁶

FRA has yet to acquire sufficient capacity to effectively manage the program, and start-up deadlines are tight. FRA was required to issue its strategic plan for HSIPR by April 2009—just 2 months after ARRA’s enactment—and interim guidance by June 2009. Funding for HSIPR is divided among four tracks.

- **Track 1** focuses on intercity passenger rail projects funded under ARRA and under PRIIA. Eligible projects include infrastructure, facilities, and equipment. These projects also fall under the competitive grant programs authorized by Section 301 or Section 302 of PRIIA, for the benefit of existing services, including those that support development of high-speed rail.
- **Track 2** focuses on new high-speed rail corridor and intercity passenger rail services, or substantial upgrades to existing corridor services. According to FRA’s ARRA-required interim guidance, track 2 programs represent the long-term emphasis of the HSIPR program. In addition to being eligible under PRIIA section 301, track 2 projects are also eligible under PRIIA Section 501.
- **Track 3** focuses on establishing a pipeline of future high-speed rail and intercity passenger rail projects and service development programs. This will be done by advancing planning activities for applicants at an earlier stage of the development process. Under track 3, FRA will enter into cooperative agreements for preparing service development programs, state rail plans, and service-level environmental documents.

³⁶ These staff are to be distributed between FRA’s Office of Railroad Development (22 positions), Office of Chief Counsel (2 positions), and Office of Financial Management and Administration (3 positions). FRA already started hiring and anticipates these new staff will be on-board by the second quarter of FY 2010.

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- **Track 4** provides an alternative for projects that would otherwise fit under track 1, but requires at least a 50-percent non-Federal funding match.

The program's grant selection and award process for each of its four tracks was also fast paced (see table 10-1).

Table 10-1. ARRA Track Deadlines According to FRA's Interim Guidance

Track 1	Track 2	Track 3	Track 4
Preapplication			
July 10, 2009	July 10, 2009	July 10, 2009	July 10, 2009
Application			
Aug. 24, 2009	Oct. 2, 2009	Aug. 24, 2009	Aug. 24, 2009
FRA Obligation			
By Sept. 30, 2010	By Sept. 30, 2011	As soon as possible after selection	As soon as possible after selection
Project(s) Completion			
Within 2 years of obligation	Sept. 30, 2017	Within 2 years of obligation	Within 5 years of obligation

Source: Federal Railroad Administration

In the face of these tight deadlines, FRA has acknowledged it lacks the capacity to start up and effectively manage HSIPR—shortfalls it attributes to the limited availability of staff to dedicate to the program and the limited operating funds authorized in ARRA. According to FRA officials, the money currently allotted for program management will be depleted during the grant evaluation and award phase, leaving no money for grant administration oversight.

Establishing Policies and Practices for the Program's Grant Lifecycle Process and Oversight Activities While FRA officials recognize the challenge before them, the Agency has not finalized or fully documented its program implementation strategy. FRA has developed a grants management master plan (GMMP) that contains over 400 action items, but the plan does not contain deadlines or contingencies for performing

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Successfully Implementing the Newly Created Multi-Billion Dollar High-Speed Intercity Passenger Rail Program

critical pre-award tasks, such as establishing standard grant agreements and standard operating procedures, tools, or templates to help oversee projects and conduct site visits.³⁷

FRA planned to begin awarding its first round of grants in fall 2009. However, following receipt of our draft report that discussed the risks associated with trying to award the grants that early without a fully documented process, FRA decided to delay the awards until early 2010.

In addition, while the initial process of evaluating applications has been completed, questions still remain as to how FRA will evaluate cost, schedule, and ridership estimates. For example, FRA has not fully determined how it will assess the accuracy of applicants' rider and revenue forecasts—a key aspect of how the merit and feasibility of proposed projects will be determined. FRA officials indicated that, given the tight time frames placed on the Agency by ARRA, they are currently addressing only the tasks they deem to be on the “critical path.” Concurrent implementation and integration of a new electronic management system for administering grants further heightens implementation risks in the rush to meet statutory deadlines.³⁸

Related Products The following related reports and testimonies can be found on the OIG website at <http://www.oig.dot.gov>.

- American Recovery and Reinvestment Act: DOT's Implementation Challenges and the OIG's Strategy for Continued Oversight of Funds and Programs, April 30, 2009, and April 29, 2009.
- American Recovery and Reinvestment Act of 2009: Oversight Challenges Facing the Department of Transportation,” March 31, 2009.

For more information on the issues identified in this chapter, please contact Mitch Behm, Program Director for Amtrak, High-Speed Rail, and Economic Analysis, at (202)-366-1995.

³⁷ With the assistance of a contractor, FRA expects to complete a grant management manual, which will include comprehensive grants management policies and procedures by March 2010.

³⁸ ARRA requires FRA to select all projects by September 30, 2012.

EXHIBIT. COMPARISON OF FY 2010 AND FY 2009 TOP MANAGEMENT CHALLENGES

Items in FY 2010 Report	Items in FY 2009 Report
<ul style="list-style-type: none"> Maximizing the Department’s Economic Recovery Investments 	
<ul style="list-style-type: none"> Enhancing Surface Safety Programs to Reduce Injuries and Fatalities While Defining a New Federal Role in Transit Safety 	<ul style="list-style-type: none"> Enhancing and Deploying Programs for Reducing the Serious Consequences of Surface Transportation Crashes
<ul style="list-style-type: none"> Maximizing Federal Surface Infrastructure Investments by Helping States Better Allocate Resources and Providing Effective Oversight 	<ul style="list-style-type: none"> Maximizing Current Highway and Transit Infrastructure Investments Preventing Catastrophic Failures and Obsolescence in the Nation’s Aging Surface Transportation Infrastructure
<ul style="list-style-type: none"> Addressing Human Factors and Strengthening the Regulatory Oversight Framework for Aviation Safety 	<ul style="list-style-type: none"> Enhancing Aviation Safety and Maintaining Confidence in FAA’s Ability to Provide Effective Oversight of a Rapidly Changing Industry
<ul style="list-style-type: none"> Moving Toward the Next Generation Air Transportation System and Improving Performance of the National Airspace System 	<ul style="list-style-type: none"> Operating the National Airspace System While Developing and Transitioning to the Next Generation Air Transportation System
<ul style="list-style-type: none"> Improving Contract Management and Oversight 	<ul style="list-style-type: none"> Improving Contract Operations and Maintaining Procurement Integrity
<ul style="list-style-type: none"> Enhancing the Ability to Combat Cyber Attacks and Improving the Governance of Information Technology Resources 	<ul style="list-style-type: none"> Protecting Against Increasing Cyber Security Risks and Managing Limited Information Technology Resources More Effectively
<ul style="list-style-type: none"> Developing a Funding Framework for the Next Surface Transportation Reauthorization 	<ul style="list-style-type: none"> Developing a Plan to Address Projected Highway and Transit Funding Shortfalls
<ul style="list-style-type: none"> Strengthening the Department’s Acquisition Workforce 	<ul style="list-style-type: none"> Improving Contract Operations and Maintaining Procurement Integrity
<ul style="list-style-type: none"> Successfully Implementing the Newly Created Multi-Billion Dollar High-Speed Intercity Passenger Rail Program 	
	<ul style="list-style-type: none"> Enhancing Mobility and Reducing Congestion in America’s Transportation System

APPENDIX: DEPARTMENT RESPONSE



U.S. Department of
Transportation
Office of the Secretary
of Transportation

Memorandum

Subject: **ACTION:** Response to Office of Inspector General (OIG) draft report, "Top Management Challenges for Fiscal Year 2010"

Date: November 6, 2009

From: Christopher Bertram
Assistant Secretary for Budget and Programs, and
Chief Financial Officer

Reply to
Attn. of:

To: Calvin L. Scovel III
Inspector General

During this past year, the Department of Transportation (DOT) demonstrated once again a capability to not only meet, but exceed expectations in service to the Nation. Faced with the daunting challenge of implementing, within unprecedented timeframes, two major programs, the Car Allowance Rebate System (CARS) and the American Recovery and Reinvestment Act of 2009 (Recovery Act), the employees of DOT exceeded all expectations. This required extraordinary dedication and hard work. Together, these programs stimulated economic activity in the Nation, focused job creation in some of the country's most economically distressed areas, and improved the environment and reduced energy consumption. The CARS program replaced almost 700,000 cars with vehicles that were on average 60 percent more efficient. The Recovery Act will generate a large number of transportation-related jobs, while providing numerous benefits including improving services to some of our Nation's most vulnerable populations.

Safety is our Top Priority

The Secretary has reaffirmed the Department's long-standing commitment to improve aviation and surface transportation safety as its top priority. DOT has demonstrated its commitment to safety by meeting 8 of its 10 safety goals this year. In particular, DOT continues to focus on safety initiatives that reduce the highway fatality rate. The Department is moving forward with other innovative new initiatives and approaches intended to make the best possible use of available expertise and resources, starting with an intermodal approach to safety. Recently, the Secretary formed a Transportation Safety Council to tackle critical transportation safety issues. The Council will ensure that there is a formal process for sharing data, best practices, and strategies among the Department's operating administrations. The Council also will serve a critical broad-based safety advocacy role and help break down organizational stovepipes, continuing the intermodal functionality we saw demonstrated so well in the Department's approach to implementing the Recovery Act. The intent of the Council is to provide an effective forum for an action-oriented, data-driven approach to improving safety, emphasizing open dialogue about common issues, and providing fresh ideas and new perspectives.



The Department has also set a new course of action to address the hazards of distracted driving, and particularly the challenges posed by the use of cell phones, portable email devices and other electronics in vehicles. Tests have demonstrated the dangers of distracted drivers on our roads, and these data are further supported by testimonial evidence presented at DOT's recent summit on distracted driving. The Obama Administration with Secretary LaHood's leadership is working to end distracted driving. President Obama signed an executive order directing federal employees not to text while driving and DOT will continue to work on additional efforts for commercial drivers license holders. Additional actions are also being planned to better educate our Nation's drivers to the dangers of distracted driving while stepping up high visibility enforcement campaigns.

Further improving rail transit safety is another important new safety initiative underway at DOT. While rail transit is one of the safest modes of transportation, a series of crashes in Washington DC, Chicago, Boston and San Francisco over the last few years demonstrate the need for a fresh look at innovative approaches to addressing this challenge. The Department is addressing this challenge by reviewing both the state of good repair for transit equipment and the rules under which transit operates. The Federal Transit Administration (FTA) recently assessed the level of capital investment required to attain and maintain a state of good repair for the nation's seven largest transit operators, which carry 80 percent of the nation's rail transit ridership. FTA found that more than one-third of rail-transit assets are in marginal or poor condition, with many having already met or exceeded their useful life. Next, FTA plans to expand this study beyond the seven largest transit agencies to gain an industry-wide perspective and better understand the level of transit investment for safety critical infrastructure. In addition, the Deputy Secretary, is leading an intermodal team to focus on developing options for transit safety reforms, which may extend to bus operations as well. This team will review the many alternative models within DOT that could be used to address transit safety challenges, as well as review the statutory authority alternatives for addressing transit safety.

The Department Continues to Seek Long Term Funding Solutions

The financing methods that fund the highway and aviation trust funds are established by statute. It has become increasingly clear that the existing statutory approaches to financing the trust funds are not sustainable and will need to be addressed during the reauthorization processes. The Department is working with the Congress to identify the implications of alternative actions to address the long term funding needs for its aviation and surface programs as part of the reauthorization processes. To facilitate these future discussions, the Department is closely monitoring the balances in the Highway Trust Fund and is sharing this information on a regular basis with Office of Management and Budget (OMB) and the Congress.

DOT Is Focused on Strengthening Procurement Systems

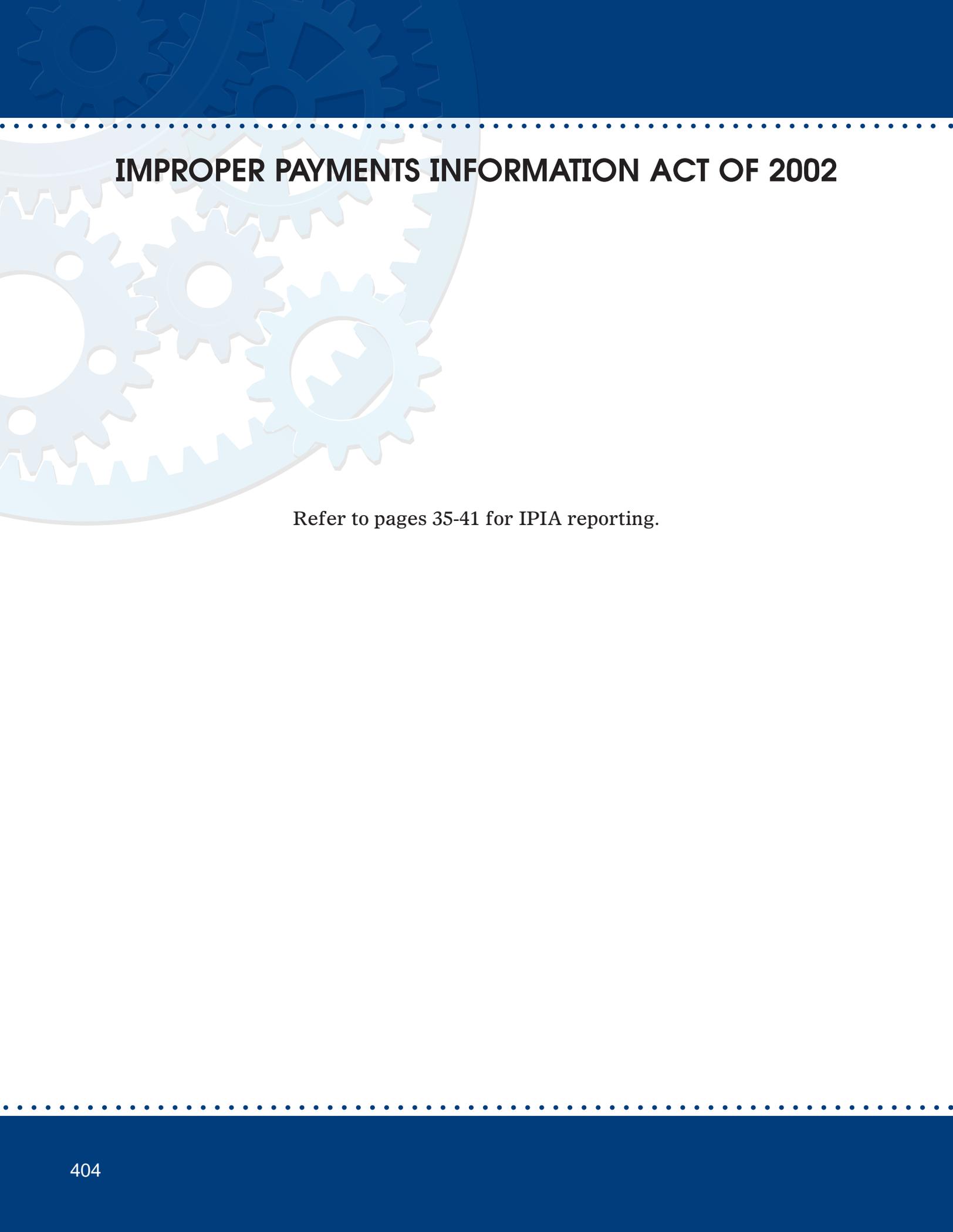
The Department is taking a multifaceted approach to further strengthen its procurement programs and provide strong sustained oversight. The requirements for Suspension and

Debarment have been revised and updated, and will be implemented over the coming months. These revised requirements, along with new, improved electronic data systems to track actions, are intended to help ensure that potential inappropriate behavior by contractors is dealt with promptly, effectively, and is communicated throughout the Federal Government. On November 2, 2009, the Department provided the OMB with a plan for dealing with high risk contracting. This plan identified new approaches for ensuring that procurement activities efficiently accomplish their intended objectives with minimal risk to the Department. With regard to the acquisition workforce, DOT has taken a proactive approach by designing and implementing an annual requirement for supplemental ethics training provided as a joint effort between the Office of General Counsel and the Department's Senior Procurement Executive. We are also applying innovative approaches to help ensure that the Department has an adequate acquisition workforce. For example, we plan to enhance the applicant pool by running a continuous job announcement from which the operating administrations may identify qualified applicants. Each procurement organization in the Department will utilize individual development plans for its procurement workforce, ensuring they are certified in accordance with Federal Acquisition Certification program.

Preventing Cyber Attacks Requires Constant Vigilance

The Department has achieved considerable progress in securing its networks and systems against intrusions and cyber attacks, yet work remains. Every day we encounter new threats to our networks and new risks. Capabilities are growing for increasingly sophisticated attacks on critical information technology infrastructure. Some of these issues can be addressed within our approach to and implementation of countermeasures. Other elements are larger than individual departments, and progress will depend on concerted efforts throughout the Federal government. The Department continues putting the systems and processes in place to address cyber security challenges, and has achieved significant progress this the past year. For example, the Department promulgated a comprehensive new set of cyber security policies. These policies will provide an up-to-date systematic foundation to guide further evolutionary progress in cyber security. On the hardware side, the Department has significantly greater situational awareness and visibility than it did one year ago thanks to the completion of network sensors covering all DOT networks. DOT's Chief Information Office has also demonstrated exceptional responsiveness to the cyber security and information technology issues raised by OIG, by closing an unprecedented 92 percent of its pending recommendations, and effectively addressing long standing issues. The Deputy Secretary has included this as a top priority assignment for the White House Fellow, demonstrating the Department's commitment to continued improvements in this critical area.

In closing, we agree that the Department faces formidable management challenges in the years ahead. DOT has demonstrated the qualities of resilience, ingenuity, and innovation in facing those challenges, both anticipated and unanticipated. We will continue to do so. We appreciate the perspectives offered by the Office of Inspector General in its management challenges report and will use them to assist the Department in developing our plans for addressing these critical areas.



IMPROPER PAYMENTS INFORMATION ACT OF 2002

Refer to pages 35-41 for IPIA reporting.

THE PERFORMANCE CROSSWALK – OUTCOMES, AREAS AND MEASURES

The Performance Crosswalk – Outcomes, Areas and Measures tables enable the reader to track measures as they are presented in the DOT Strategic Plan to how they are applied in practice and reported in the DOT Performance and Accountability Report. For any measure that has not been selected for PAR reporting, DOT has provided an explanation as to why it is not considered to be the most informative representation of DOT performance.

Generally, there are three rationale that explain why adjustments were made to the portfolio of measures and which measures are presented in the PAR:

- Because there are many more measures in the plan than are reasonable to report in the PAR, DOT selected the most representative measures to include in this document.
- DOT has made progress in several measurement areas in terms of program accomplishments or in improvements the measures themselves, therefore DOT is also presenting several improved measures that are enhancements on the spirit and intent of the measures as stated in the Strategic Plan.
- DOT grouped related programs and measures into like categories to capture and report information in the most logical manner. Therefore the PAR presents measurement results by Performance Areas that relate to the Strategic Outcomes stated in the Strategic Plan.

To review this information in greater detail, please visit: www.dot.gov.

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