U.S. Department of Transportation

FISCAL YEAR

2020

AGENCY FINANCIAL REPORT

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FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2020 provides an overview of the Department's financial performance and results to the Congress, the President, and the American people. The report details information about our stewardship over the financial resources entrusted to us. In addition, the report provides information about our performance as an organization, our achievements, our initiatives, and our challenges.

The AFR, the first in a series of reports required by the Office of Management and Budget (OMB), provides readers with an overview of the Department's highest priorities, as well as our strengths and challenges.

The Department's FY 2020 annual reporting includes the following two components.

AGENCY FINANCIAL REPORT (AFR)

The following AFR report is organized into three major sections.

The Management's Discussion and Analysis section provides executive-level information on the Department's history, mission, organization, and key activities; analysis of financial statements; systems, controls, and legal compliance; accomplishments for the fiscal year; and management and performance challenges. A high-level summary of FY 2020 performance information will be found on page 6 of the AFR. Detailed performance data are included in the Annual Performance Report (APR).

The Financial Report section provides the Department's consolidated and combined financial statements; the notes to the financial statements; required supplementary information (RSI); and reports from the DOT Office of Inspector General (OIG) and the independent auditors.

The Other Information section provides Payment Integrity Information Act of 2019 reporting details and other statutory reporting requirements, including the Summary of Financial Statement Audit and Management Assurances; the Inspector General's FY 2021 Top Management Challenges; Real Property; Civil Monetary Penalty Adjustments for Inflation; and Grants Programs.

ANNUAL PERFORMANCE REPORT (APR)

The FY 2020 APR will be produced in conjunction with the FY 2022 Annual Performance Plan and FY 2022 President's Budget Request. The APR will provide the detailed performance information and descriptions of results by each key performance measure. This report will also include trend data and a discussion of DOT's performance.

The APR 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 (CFO Act) of 1990;
- Government Management Reform Act of 1994;
- Federal Managers' Financial Integrity Act (FMFIA) of 1982;
- Federal Financial Management Improvement Act (FFMIA) of 1996; and
- Payment Integrity Information Act of 2019.

The reports will be available on DOT's website at https://www.transportation.gov/.

MESSAGE FROM THE SECRETARY

I am pleased to present the U.S. Department of Transportation (DOT or Department) Fiscal Year (FY) 2020 Agency Financial Report. This report details the Department's financial and programmatic performance relative to its priorities and reflects our commitment to deliver credible, quality data and information on the Department's fiscal operations.

The magnitude of disruption from the coronavirus disease 2019 (COVID-19) public health emergency has significantly impacted all of us in ways we never expected. However, the Department has demonstrated tremendous resilience, resolve, and effectiveness. Despite the challenges brought about by the public health emergency, the Department has many significant accomplishments to show for 2020, starting with keeping the national airspace and the rest of America's transportation systems open, operational, and safe. We all have learned new ways to get the job done in these unprecedented times.

Safety is the core of DOT's mission and is always the Department's number one priority. The Nation's unparalleled safety record in transportation reflects the willingness to embrace hard lessons and to proactively seek continuous improvement. The Department approaches its safety mission from every angle, including infrastructure design and funding, vehicle design, and operating standards. The Department has adopted a systemic approach to safety oversight and management. This approach is proactive and helps ensure that innovative and emerging technologies are safely integrated in existing transportation systems.

Improving Infrastructure for the future. The Department's improvement in infrastructure includes the development and release of the first-ever National Freight Strategic Plan (NFSP) through a multi-agency effort involving extensive consultation with freight stakeholders in both the public and private sectors. The NFSP lays out a vision for long-term investments in infrastructure, the workforce, and other essential parts of the freight system. It provides a clear path to improve the safety, security, and resilience of the National freight system and details how the Department can modernize freight infrastructure and operations to grow the economy and increase competitiveness.

Accountability and Financial Stewardship. The Department continues to use standard best practices that include the internal controls necessary for prudently awarding, managing, and reporting on contracts, grants, loans, and other forms of assistance. Through advanced planning and implementing the lessons learned from previous challenging situations, the Department continues to help ensure that every dollar spent is used to the maximum benefit of the taxpayer. With the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020, the Department received an additional $36.1 billion to address the needs of selected transportation programs impacted by the COVID-19 public health emergency. The Department's work to quickly make CARES Act funds available to grantees was very important in maintaining critical operations and employment in the vital transit, passenger rail, and airline industries.

OVERVIEW OF THE FY 2020 FINANCIAL RESULTS

For the 14th consecutive year, the Department has received an unmodified opinion, providing reasonable assurance that the financial statements are reported fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and Office of Management and Budget (OMB) Circular A-123 provide the framework within which departmental and operating administration managers determine whether adequate internal controls are in place and operating as they should. As noted in the accompanying correspondence to the President, the Department can provide reasonable assurance that its internal controls and financial management systems meet the objectives of FMFIA.

The Department's financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act of 1996, applicable financial systems requirements, the Federal accounting standards and the U.S. Standard General Ledger at the transaction level. In accordance with OMB Circulars A-136 and A-11, the financial and performance data published in this report is complete and reliable.

The success of the Department depends upon the dedication and skills of its people, and it is an honor to work with the talented and committed men and women at DOT in advancing this important mission. I am proud of the team that manages our Federal resources, making it possible to achieve clean audit results for 14 consecutive years. They are truly experts in their field.

Sincerely,

Elaine L. Chao

MANAGEMENT'S DISCUSSION AND ANALYSIS

DOT MISSION

The Department's mission is to ensure our Nation has the safest, most efficient and modern transportation system in the world, which improves the quality of life for all American people and communities, from rural to urban, and increases the productivity and competitiveness of American workers and businesses.

OVERVIEW OF LEGISLATIVE AUTHORITIES

The Secretary of Transportation, under the direction of the President, exercises leadership in transportation matters. Section 101 of Title 49, United States Code, describes the United States Department of Transportation purposes as follows:

a. The national objectives of general welfare, economic growth and stability, and security of the United States require the development of transportation policies and programs that contribute to providing fast, safe, 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.

b. A Department of Transportation is necessary in the public interest and to—

   1. ensure the coordinated and effective administration of the transportation programs of the United States Government;
   2. make easier the development and improvement of coordinated transportation service to be provided by private enterprise to the greatest extent feasible;
   3. encourage cooperation of Federal, State, and local governments, carriers, labor, and other interested persons to achieve transportation objectives;
   4. stimulate technological advances in transportation, through research and development or otherwise;
   5. provide general leadership in identifying and solving transportation problems; and
   6. develop and recommend to the President and the Congress transportation policies and programs to achieve transportation objectives considering the needs of the public, users, carriers, industry, labor, and national defense.

ORGANIZATION

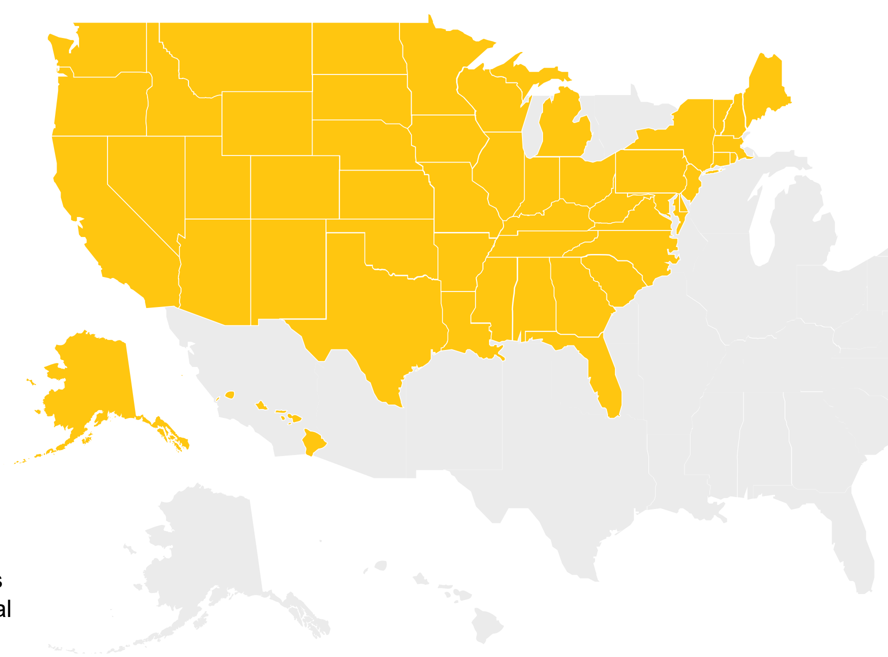
HISTORY

Established in 1966, 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 system is the guiding principle as the Department moves forward to achieve specific goals.

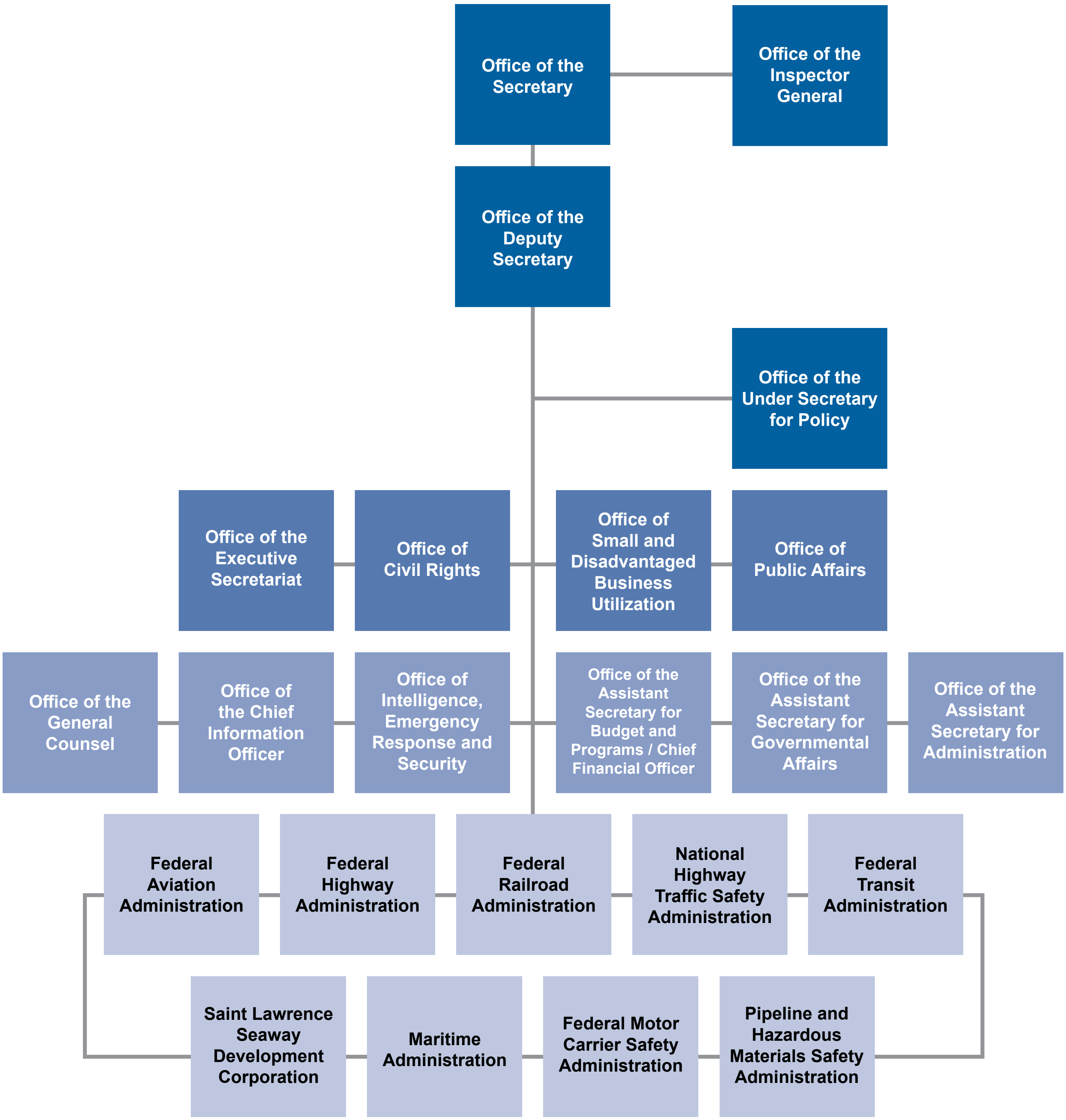
HOW DOT IS ORGANIZED

DOT employs more than 54,000 people in the Office of the Secretary (OST) and through 10 Operating Administrations (OAs) and Bureaus, each with its own management and organizational structure.

OST provides overall leadership and management direction; administers aviation, economic, and consumer protection programs; and provides administrative support. The Office of Inspector General (OIG), although formally part of DOT, is independent by law.



ORGANIZATIONAL CHART



OAs AND INDEPENDENT ORGANIZATIONS

OFFICE OF THE SECRETARY (OST)

The Office of the Secretary oversees the formulation of national transportation policy and promotes intermodal transportation. Other responsibilities include negotiating and implementing international transportation agreements, assuring the fitness of U.S. airlines, enforcing airline consumer protection regulations, issuing regulations to prevent alcohol and illegal drug misuse in transportation systems, and preparing transportation legislation.

OFFICE OF INSPECTOR GENERAL (OIG)

The Office of Inspector General's mission is to conduct audits and investigations on behalf of the American public to improve the performance and integrity of DOT's programs to ensure a safe, efficient, and effective national transportation system.

FEDERAL AVIATION ADMINISTRATION (FAA)

The Federal Aviation Administration's mission is to provide the safest, most efficient aerospace system in the world.

FEDERAL HIGHWAY ADMINISTRATION (FHWA)

The mission of the Federal Highway Administration is to enable and empower the strengthening of a world-class highway system that promotes safety, mobility, and economic growth, while enhancing the quality of life of all Americans.

FEDERAL RAILROAD ADMINISTRATION (FRA)

The mission of the Federal Railroad Administration is to enable the safe, reliable, and efficient transportation of people and goods for a strong America now and in the future.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA)

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

FEDERAL TRANSIT ADMINISTRATION (FTA)

The Federal Transit Administration's mission is to improve public transportation for America's communities.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION (SLSDC)

The Saint Lawrence Seaway Development Corporation's mission is to serve the marine transportation industries by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway in cooperation with the Canadian St. Lawrence Seaway Management Corporation.

MARITIME ADMINISTRATION (MARAD)

The Maritime Administration's mission is to foster, promote, and develop the maritime industry of the United States to meet the Nation's economic and security needs.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA)

The Federal Motor Carrier Safety Administration's primary mission is to reduce crashes, injuries, and fatalities involving large trucks and buses.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

The Pipeline and Hazardous Materials Safety Administration's mission is to protect people and the environment by advancing the safe transportation of energy and other hazardous materials that are essential to our daily lives. To do this, the agency establishes national policy, sets and enforces standards, educates, and conducts research to prevent incidents. The agency also prepares the public and first responders to reduce consequences if an incident does occur.

PERFORMANCE SUMMARY AND HIGHLIGHTS

DOT's mission is to ensure our Nation has the safest, most efficient, and most modern transportation system in the world. This system improves the quality of life for all American people and communities, and it increases the productivity and competitiveness of American workers and businesses.

To achieve this mission, the Department is guided by four strategic goals: Safety, Infrastructure, Innovation, and Accountability. Each strategic goal is linked to one or more of the Department's nine strategic objectives, as shown below.

STRATEGIC GOALS

Safety	Infrastructure	Innovation	Accountability
Systemic Safety Approach	Project Delivery, Planning, Environment, Funding, and Finance	Development of Innovation	Regulatory Reform
	Life Cycle and Preventive Maintenance	Deployment of Innovation	Mission Efficiency and Support
	System Operations and Performance		
	Economic Competitiveness and Workforce		

DOT has achieved tremendous progress on its strategic goals and objectives that build on advancements in Safety, Infrastructure, Innovation, and Accountability over the years. Highlights of this progress include:

SAFETY

Overall, highway fatalities continue to decline. A statistical projection of traffic fatalities for 2019 shows that an estimated 36,120 people died in motor vehicle traffic crashes, which represents an estimated decrease of 1.2 percent from the 36,560 fatalities reported in 2018. The fatality rate for 2019 was 1.10 fatalities per 100 million vehicle miles traveled (VMT), down from 1.13 fatalities per 100 million VMT in 2018.

An analysis of estimated changes for specific segments reveals slight decreases in driver (three percent), passenger (four percent), motorcyclist (one percent), pedestrian (two percent), and bicyclist (three percent) deaths in 2019 as compared to 2018. Fatalities in crashes each involving at least one large truck are projected to increase slightly by one percent. There was also a slight increase of one percent of older drivers aged 65 and over involved in fatal crashes.

Moreover, due to anecdotal reports of increased speeding and reckless driving on emptier roads in recent months, NHTSA launched a new advertising campaign to remind drivers to drive safely as Americans get back out on the road. The $4 million National radio campaign focuses on the four key principles of road safety – wearing your seatbelt, staying sober, obeying the speed limit, and avoiding distractions.

Wear your seatbelt. Stay sober.
Obey the speed limit. **Don't get distracted.**

Additionally, DOT's Safe Transportation for Every Pedestrian (STEP) initiative has completed 13 outreach items, including videos, countermeasure technical sheets, articles, social media, and case studies to promote proven safety countermeasures. STEP has provided technical assistance to 38 States and localities and led more than a dozen workshops in Florida in January and February 2020.

PERFORMANCE SUMMARY AND HIGHLIGHTS (continued)

Technical assistance included leading Road Safety Audits in Kentucky, West Virginia, Virginia, Washington, and North Carolina, and sponsoring a Peer Exchange in Little Rock, Arkansas in late October for eight communities from seven States. Twelve States have advanced implementation of safety countermeasures as a result of the STEP initiative.

INFRASTRUCTURE

The Department invested $1 billion in FY 2020 in American infrastructure through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program. The funding has been awarded to 70 projects in 44 States. FY 2020 BUILD Transportation grants are for planning and capital investments in surface transportation infrastructure and were awarded on a competitive basis for projects that will have a significant local or regional impact. BUILD funding supports roads, bridges, transit, rail, ports or intermodal transportation.

DOT is also administering more than $2 billion in discretionary grants to rehabilitate, improve, and develop rail infrastructure.

In the past fiscal year, the Department announced awards that included:

- $1.2 billion in airport safety and infrastructure grants through the FAA to 405 airports in 50 States and the Federated States of Micronesia, the Marshall Islands, the Northern Mariana Islands, Puerto Rico, Palau, and the U.S. Virgin Islands;
- $574 million in emergency relief for road and bridge repairs to 39 States and Puerto Rico; and
- $320.6 million for rail infrastructure and safety improvements for 50 projects in 29 States.

INNOVATION

FAA's air traffic and space operations team played a key safety role in the May 30, 2020 National Aeronautics and Space Administration (NASA) and SpaceX Crew Dragon launch to the International Space Station. The Air Traffic Organization (ATO) ensured the safety of the launch by moving aircraft out of the path of the spacecraft as it moved through the National Airspace System (NAS), published notices to alert pilots in the area, and safely reopened the airspace to operators following the launch.

Supported the launch of the **SpaceX Crew Dragon**

FAA's Office of Commercial Space issues launch licenses to keep the public safe during commercial space launch and reentry events. Under FAA's agreement with NASA, the first two flight tests by each Commercial Crew provider are certified by NASA, with subsequent flights, called Post Certification Missions, being licensed by FAA. It is important to note that this launch was different from previous commercial space launches, as FAA played a supporting role and did not license this manned aircraft launch and re-entry process.

FAA's ATO developed preliminary metrics to determine airspace impacts for launch activity from the Cape Canaveral Air Force Station/Kennedy Space Center (CCAFS/KSC). Metrics are based on historical data derived from the previous five years of launch activity. DOT will monitor metrics during upcoming launches to further refine and validate.

FAA's Office of Commercial Space Transportation developed a formal Space Education structure with assigned personnel resources and will implement a formal training capability with the standup of the new organization.

ACCOUNTABILITY

DOT issued the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule, which sets fuel economy and carbon dioxide standards for passenger highway vehicles. Standards increase in stringency by 1.5 percent each year from model years (MYs) 2021 through 2026. Compared to the previous standards, required technology costs for new cars will be cut by $100 billion through MY 2029, resulting in an approximately $1,000 reduction per new vehicle in upfront costs, and $1,400 reduction per vehicle in ownership costs. American families are projected to afford 2.7 million more new vehicles through MY 2029 due to these cost savings. The associated cost savings will allow the Department to meet the $40 billion cost savings target established by Executive Order 13771.

Set stricter **fuel economy** and **carbon dioxide standards** for vehicles

PERFORMANCE SUMMARY AND HIGHLIGHTS (continued)

AGENCY PRIORITY GOALS

Agency Priority Goals (APGs) provide agencies with mechanisms to focus leadership priorities, set outcomes, and measure results. APGs include goals that can be achieved within about 24 months and depend predominantly on agency implementation. The Department has four APGs that span FY 2020 through FY 2021:

1. Reduce Surface Transportation-Related Fatalities
2. Reduce Aviation-Related Fatalities
3. Improve America's Transportation-Related Infrastructure
4. Enhance Commercial Space Innovation

APG 1 – Reduce Surface Transportation-Related Fatalities

By September 30, 2021, the Department will reduce the rate of motor vehicle fatalities to 1.01 per 100 million VMT. FMCSA, FHWA, and NHTSA play leading roles in achieving this APG. FRA, FTA, and PHMSA also track and report progress on this goal.

Reduce Motor Vehicle-Related Facilities (Overall)

		CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Motor Vehicle-Related Roadway Fatalities Per 100 Million VMT	**Targets**	1.02	1.02	1.02	1.02	1.01	1.01
	Actuals	1.19	1.16	1.11	1.10*	N/A	N/A

N/A = not available. VMT = vehicle miles traveled. CY = calendar year.

** Statistical projection for CY 2019. Final CY 2019 data will be available in late CY 2020. CY 2020 data will be available by May 2021.*

Reduce Motor Vehicle-Related Fatalities by Type (FHWA, NHTSA, FMCSA)

		CY 2016	CY 2017	CY 2018	CY 2019*	CY 2020	CY 2021
Passenger Fatalities Per 100 Million VMT	**Targets**	0.75	0.75	0.75	0.74	0.74	0.74
	Actuals	0.75	0.74	0.70	N/A	N/A	N/A
Large Truck and Bus Fatalities Per 100 Million VMT	**Targets**	0.114	0.114	0.114	0.114	0.114	0.114
	Actuals[1]	0.155	0.160	0.160	N/A	N/A	N/A
Non- Occupant Fatalities (Pedestrian, Bicycle) Per 100,000 Population	**Targets**	2.19	2.15	2.15	2.10	2.10	2.10
	Actuals	2.19	2.15	2.25	N/A	N/A	N/A
Motorcycle Fatalities Per 100,000 Motorcycle Registrations	**Targets**	62	62	62	62	61	61
	Actuals	60.9	59.3	57.5	N/A	N/A	N/A

N/A = not available. VMT = vehicle miles traveled. CY = calendar year.

** CY 2019 data will be available in late CY 2020.*

[1] Beginning with data for 2016, NHTSA implemented changes to revise vehicle classification based on gross vehicle weight rating (GVWR), which reclassified 329 light pickup trucks as large trucks. Due to this methodology change, comparisons of the 2016 (and later) Fatality Analysis Reporting System (FARS) large truck data with prior years should be performed with caution.

PERFORMANCE SUMMARY AND HIGHLIGHTS (continued)

(Actual) Fatalities by Mode*										
	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020**
Bus (MB)	92	97	104	86	88	95	84	76	80	42
Heavy Rail (HR)	94	102	111	93	97	105	88	132	124	60
Light Rail (LR)	36	45	35	39	46	39	49	40	51	17
Other Modes	4	21	23	18	23	18	18	12	13	6
Total[2]	**226**	**265**	**273**	**236**	**254**	**257**	**239**	**260**	**268**	**125**

CY = calendar year.

**Data are based on CYs, January through December, and reporters are required to report within 30 days of a fatality.*

***CY 2020 data, as of July 1, 2020. This table will be updated throughout the year to capture late reporters. [(Reporters have 30 days after an incident to report to the National Transit Database (NTD.)]*

Reduce Transit Collisions Involving People (FTA)						
		FY 2017*	FY 2018	FY 2019	FY 2020	FY 2021
Total Rail Transit Collisions with Persons[3]	**Targets**	---	450	420	430	430
	Actuals	408	425	466	318**	N/A

N/A = not available. FY = fiscal year.

**FY 2017 was the baseline year.*

***Data as of July 1, 2020.*

Source: National Transit Database. Data are reported by Federal fiscal year. Rail transit collisions with persons include suicides. Targets for FY 2019 and FY 2020 were revised downward in December 2018, based on FTA exceeding targets in FY 2018. Targets for FY 2020 were slightly revised after review of FY 2019 data.

Reduce Rail-Related Fatalities (FRA)[4]				
		FY 2019	FY 2020*	FY 2021
Highway-Rail Grade Crossing Incidents	**Targets**	---	2,156	2,048
	Actuals	2,277	2,198	N/A
Rail Right-Of Way Trespass Incidents	**Targets**	---	1,070	1,017
	Actuals	1,080	1,008	N/A

N/A = not available. FY = fiscal year.

Note: A highway-rail incident is any impact regardless of severity between rail and highway users (vehicles, pedestrians, and bicycles) at a public or private crossing. A rail right-of-way trespass incident is any event that causes a death or injury in a rail right-of-way, other than at a highway-rail grade crossing.

**Actual data are subject to change and might differ from prior-year materials based on the latest information available. FY 2020 Q3 data will be available in October 2020. FY 2020 Actual is the Q1 and Q2 total annualized for four quarters.*

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[2] *The following are excluded (and are regulated by FRA): All commuter rail modes, PATH heavy rail, Portland Tri-Met hybrid rail, and Austin Capital Metro hybrid rail.*

[3] *Ibid.*

[4] *In FY 2020, FRA changed its grade crossing and trespass indicators from incidents per million train-miles to number of incidents. To reduce casualties, FRA is focused on engaging communities that experience higher numbers of grade crossing and trespasser incidents. Therefore, the number of incidents is a better metric to gauge FRA effectiveness going forward than the rate of incidents per total U.S. train-miles.*

PERFORMANCE SUMMARY AND HIGHLIGHTS (continued)

Reduce Pipeline and Hazardous Materials Safety-Related Fatalities (PHMSA)							
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020**	FY 2021
Fatalities Caused by the Release of Hazardous Materials Transported via Pipeline or Surface Transportation Conveyance[5]	**Targets**	---	---	---	25	24	22
	Actuals	25	16	18	25*	12*	N/A

N/A = not available. FY = fiscal year.

**Preliminary. Actual data for FY 2019 will be available in late 2020, and actuals for FY 2020 will be available in October 2021.*

***In FY 2020 Q1-Q3, twelve fatalities were reported, including six related to hazardous materials transported by pipeline and six related to transport by other modes.*

APG 2 – Reduce Aviation-Related Fatalities

By September 30, 2021, FAA's range of programs will contribute to the commercial air carrier fatality rate remaining below the target of 5.4 fatalities per 100 million persons on board and contribute to reducing general aviation fatal accidents to no more than 0.96 fatal accidents per 100,000 flight hours. FAA leads DOT in achieving a safe airspace. Aviation safety is measured across two dimensions – United States commercial aviation safety and general aviation safety.

Reduce U.S.-Owned Commercial Carrier Aviation Fatalities per 100 Million Persons on Board (FAA)							
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
U.S.-Owned Commercial Carrier Fatalities per 100 Million Persons on Board	**Targets**	6.7	6.4	6.2	5.9	5.7	5.4
	Actuals	0.6	0.3	0.1	0.6	0.7*	N/A

N/A = not available. FY = fiscal year.

**Actual as of June 30, 2020. FY 2020 data will be finalized in FY 2021 Q1.*

Reduce U.S. General Aviation Fatal Accidents per 100,000 Flight Hours (FAA)							
		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
U.S. General Aviation Fatal Accidents per 100,000 Flight Hours	**Targets**	1.02	1.01	1.00	0.98	0.97	0.96
	Actuals	0.89	0.83	0.89	0.94*	0.81*	N/A

N/A = not available. FY = fiscal year.

**Actual as of June 30, 2020. FY 2019 data will be finalized in late 2020. FY 2020 data will be finalized in FY 2022 Q1.*

[5] Beginning in FY 2019, PHMSA replaced its APG measure of "incidents involving fatalities and major injury resulting from the transport of hazardous materials by all modes, including pipelines" with "confirmed fatalities caused by the release of hazardous materials transported via pipeline or surface transportation conveyance." Surface transportation conveyance includes road, rail, water, and air transport. The revised measure focuses on fatalities only, rather than incidents, and more closely aligns with the Department's other Operating Administrations. Please note that while these data were tracked prior to FY 2019, targets were not set until the new performance indicator was implemented in FY 2019.

PERFORMANCE SUMMARY AND HIGHLIGHTS (continued)

APG 3 – Improve America's Transportation-Related Infrastructure

By September 30, 2021, the percentage of interstate pavement in good or fair condition will be maintained at 95 percent. The percentage of deck area on National Highway System (NHS) bridges in good or fair condition will be maintained at or above 95 percent. The percent decrease in the reliability of interstate person-miles traveled will be no more than 0.7 percent from the FY 2018 baseline. The percent of paved runways in the National Plan of Integrated Airport Systems (NPIAS) in excellent, good, or fair condition will be maintained at 93 percent. FHWA, FTA, and FAA lead the Department's efforts to improve the Nation's transportation infrastructure.

Key Infrastructure Performance Indicators

		FY 2018	FY 2019	FY 2020	FY 2021
FTA: National Transit Infrastructure State of Good Repair Backlog, in Current Dollars	**Targets**	$105B	$107B	$109B	$109B
	Actuals	$98B*	$98B*	$98B*	N/A
FTA: Grant Dollars Allocated to Rural and Small Urban Areas	**Targets**	$1.79B	$1.59B	$1.62B	$1.62B
	Actuals	$1.56B	$1.6B	$3.95B**	N/A
FAA: Paved Runways in the National Plan of Integrated Airport Systems in Excellent, Good, or Fair Condition	**Targets**	93.0%	93.0%	93.0%	93.0%
	Actuals	97.9%	97.9%	97.9% (p)	N/A

N/A = not available. FY = fiscal year. B = billion. (p) = projected; final FY 2020 data will be available after Q4.

**FTA State of Good Repair backlog target for FY 2018, 2019, and 2020 is based on the 23rd Edition of the C&P Report that was published and sent to Congress in November 2019. FY 2018 and FY 2019 previously reported actuals are from the 22nd Edition of the C&P report that is based on FY 2012 data and was published and sent to Congress in Q1 of FY 2017. FTA is now reporting actuals based on the 23rd Edition. The 24th Edition is expected to go to Congress by the end of CY 2020, with a State of Good Repair backlog of $105B, based on 2016 data. At that point, FTA will update its actuals based on more current data.*

***FTA: Grant dollars allocated to rural and small urban areas, as of June 29, 2020.*

PERFORMANCE SUMMARY AND HIGHLIGHTS (continued)

Key Infrastructure Performance Indicators					
		CY 2018	CY 2019	CY 2020	CY 2021
Percentage of Interstate Pavements, in Lane Miles, in Good or Fair Condition	**Targets**	95.0%	95.0%	95.0%	95.0%
	Actuals	---*	99.1%	N/A**	N/A
Percentage of National Highway System Bridge Deck Area in Good or Fair Condition	**Targets**	95.0%	95.0%	95.0%	95.0%
	Actuals	95.5%	95.4%	N/A**	N/A
Interstate Travel Time Reliability, in Person-Miles Traveled	**Targets**	83.7%	83.7%	83.1%	82.8%
	Actuals	83.7%	83.4%	N/A**	N/A

N/A = not available. CY = calendar year

**FHWA recently revised the measure it uses to track and report roadway conditions; therefore, CY 2018 served as the baseline year.*

***CY 20 actuals will be available in late 2020.*

APG 4 – Enhance Commercial Space Innovation

This APG centers on the development and implementation of Time-Based Launch/Reentry Procedures (TBLP) and Dynamic Launch/Reentry Windows (DLRW) for integrating CCAFS/KSC complex commercial spaces launches and reentry operations into the NAS. In Q1, FAA worked to establish baseline information from past launch activity at CCAFS/KSC that will capture these airspace and route impacts. These data will form the baseline used to measure future launch effects and change resulting from TBLP. This should be accomplished during the current APG cycle. In Q2, FAA developed preliminary metrics to demonstrate the effectiveness of TBLP. Launch effects have traditionally been measured by determining the number of aircraft directly affected by the launch hazard area. While this is an important metric, it does not fully account for launch effects, nor does it effectively account for impacts on NAS. Additional measures are being developed that will indicate the total time that the airspace near CCAFS/KSC is affected.

In Q3, FAA started to develop preliminary metrics for DLRW to measure the time amount of time saved in launch and reentry airspace due to DLRW. FAA will monitor metrics during upcoming launches to further refine and validate them.

FINANCIAL HIGHLIGHTS

The financial statements and financial data presented in this report were prepared from the accounting books and records of DOT in conformity with generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards and other authoritative pronouncements prescribed by the Federal Accounting Standards Advisory Board (FASAB). Department management is responsible for the integrity and fair presentation of the financial information presented in these statements.

Since FY 2012, the Airport and Airway Trust Fund (AATF) and the Highway Trust Fund (HTF) have been granted extensions of authority to collect excise taxes and make expenditures. On October 5, 2018, President Trump signed the FAA Reauthorization Act of 2018 (P.L. 115-254), which extended the AATF authorizations and related revenue authorities to September 30, 2023. Following several extensions of the Moving Ahead for Progress in the 21st Century (MAP-21, P.L. 112-141), which extended and expanded the previous law, the Fixing America's Surface Transportation Act of 2015, or "FAST Act" (P.L.114- 94), extended MAP-21 policies and HTF authority through September 30, 2020.

The FAST Act greatly restored HTF funding levels. During FY 2020, the Department continued to spend down authority received from the FAST Act, which was intended to supplement emergency relief authorizations and funding through the end of FY 2020. On October 1, 2020, President Trump signed the Continuing Appropriations Act, 2021 and Other Extensions Act, Public Law 116-159, extending the HTF authorizations and related revenue authorities to September 30, 2021. The Department received an additional $36 billion of FY 2020 supplemental appropriations to prevent, prepare for, and respond to COVID-19, when President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) into law on March 27, 2020.

OVERVIEW OF FINANCIAL POSITION

Assets

The Consolidated Balance Sheets report total assets of $119.6 billion at the end of FY 2020, compared with $126.2 billion at the end of FY 2019. The Fund Balance with Treasury line item increased by $21.2 billion, which was primarily the result of additional CARES Act funding in response to the COVID-19 pandemic. Investments decreased by $23.3 billion as a result of overall expenditures exceeding excise tax collections. The decrease in excise tax collections is mainly the result of tax holidays granted in FY2020 as a part of Federal Government's response to the COVID-19 pandemic.

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

ASSETS BY TYPE

Dollars in Thousands

Line Item	2020	%	2019	%
Fund Balance With Treasury	$65,290,548	54.6	$44,081,720	34.9
Investments	22,390,869	18.7	45,642,343	36.2
Direct Loans and Guarantees, Net	16,874,044	14.1	21,728,966	17.2
General Property, Plant and Equipment	12,440,128	10.4	12,557,630	9.9
Inventory and Related Property, Net	1,057,263	0.9	1,007,480	0.8
Accounts Receivable	179,508	0.2	211,858	0.2
Advances, Prepayments, and Other Assets	1,378,207	1.1	989,324	0.8
Total Assets	**$119,610,567**	**100**	**$126,219,321**	**100**

FINANCIAL HIGHLIGHTS (continued)

Liabilities

The Department's Consolidated Balance Sheets report total liabilities of $38.2 billion at the end of FY 2020, as summarized in the table below. This number represents a $2.6 billion increase from the previous year's total liabilities of $35.6 billion. The Debt line decreased by $3.7 billion mainly due to increased debt repayments. The Grant Accrual line increased by $7.1B. This was due to the increased number of grants awarded, and work performed on awarded grants, in FY20 due to increased grant appropriations from the CARES Act.

LIABILITIES BY TYPE

Dollars in Thousands

Line Item	2020	%	2019	%
Debt	$17,007,979	44.5	$20,756,047	58.3
Grant Accrual	15,791,963	41.4	8,665,105	24.3
Other Liabilities	2,916,495	7.6	3,543,306	10.0
Environmental and Disposal Liabilities	876,612	2.3	1,021,384	2.9
Federal Employee Benefits Payable	785,207	2.1	849,291	2.4
Accounts Payable	616,419	1.6	615,650	1.7
Loan Guarantees	192,993	0.5	156,859	0.4
Total Liabilities	**$38,187,668**	**100**	**$35,607,642**	**100**

RESULTS OF OPERATIONS

Net Costs

The Department's Net Cost of Operations was $108.7 billion for FY 2020, as summarized in the following table. Surface and air costs represent 98.9 percent of the Department's total net cost of operations. Surface transportation program costs represent the largest investment for the Department, at 75.5 percent of the net cost of operations. Air transportation is the next largest investment, at 23.4 percent of total net cost of operations.

NET COSTS

Dollars in Thousands

Line Item	2020	%	2019	%
Surface Transportation	$82,008,686	75.5	$63,360,015	77.2
Air Transportation	25,422,635	23.4	17,419,186	21.2
Maritime Transportation	580,101	0.5	678,588	0.8
Cross-Cutting Programs	425,901	0.4	388,128	0.5
Costs Not Assigned to Programs	227,891	0.2	241,946	0.3
Net Cost of Operations	**$108,665,214**	**100**	**$82,087,863**	**100**

Net Position

The Department's Consolidated Balance Sheets and Consolidated Statement of Changes in Net Position report a Net Position of $81.4 billion at the end of FY 2020, a 10.1 percent decrease from the $90.6 billion from the previous fiscal year. The decrease is mainly attributable to the excess of expenditures over HTF funding levels in FY 2020. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

FINANCIAL HIGHLIGHTS (continued)

RESOURCES

Budgetary Resources

The Combined Statements of Budgetary Resources provide information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For FY 2020, the Department had total budgetary resources of $213.4 billion, which represents a 30.8 percent increase from FY 2019 levels of $163.1 billion. Budget Authority of $213.4 billion consisted of 61.7 billion in unobligated authority carried over from previous years, $71.8 billion in appropriations, $66.5 billion in borrowing and contract authority, and $13.4 billion in spending authority from offsetting collections. The Department's FY 2020 obligations incurred totaled $152.6 billion compared with FY 2019 obligations incurred of $102.4 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2020, the Department had net outlays of $100.3 billion compared with FY 2019 levels of $80.7 billion, a 24.3 percent increase.

RESOURCES

Dollars in Thousands

Line Item	2020	2019	% Change
Total Budgetary Resources	$213,358,109	$163,137,117	30.8
New Obligations and Upward Adjustments	152,614,668	102,442,316	49.0
Agency Outlays, Net	100,307,021	80,678,103	24.3

COVID-19 FINANCIAL IMPACT

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) was signed into law by President Trump on March 27, 2020. DOT received $36 billion of FY 2020 supplemental appropriations to prevent, prepare for, or respond to COVID-19. Several DOT programs received general fund appropriations in support of maintaining and continuing the operations and business needs of various transportation systems in response to the coronavirus. Grants were allocated, from CARES Act funding, to recipients in order to support capital, operating, and other expenses related to public transit transportation; cover airport capital expenditures and airport operating expenses such as payroll, utilities, and debt services; and to assist Amtrak in maintaining service for its passengers and support its business operations. Funds were also used to ensure that COVID-19 projects and activities were carried out as intended under the CARES Act.

The Department obligated $33.7B of its COVID-19 appropriations received in FY20, after taking intra-entity eliminations into consideration. While $2.4B of COVID-19 Budgetary Resources remain available for use in FY21. Other COVID-19 related significant financial impacts include: $20B increase to FBwT, $6.4B increase to Grant Accrual, $22.5B increase to net costs, $2.6B increase to Funds from Dedicated Collections, and a $13.7B increase to net position.

See Note 24, COVID-19 Activity, in the Financial Report section of the AFR for more details.

OTHER MATTERS

On September 28, 2020, the Internal Revenue Service (IRS) certified HTF and AATF excise taxes for the tax period ending March 31, 2020, as processed by the IRS through September 17, 2020. Excise taxes are recognized by the DOT when certified by the IRS and transferred to the DOT through a Treasury Warrant issued by the U.S. Treasury. Refer to Note 1W accompanying DOT's consolidated financial statements, for information on the DOT's policy for recognizing excise tax revenue, which is in accordance with generally accepted accounting principles.

FINANCIAL HIGHLIGHTS (continued)

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 FRA.

The Department holds transportation investments through grant programs, such as the Federal-Aid Program, mass transit capital investment assistance, and airport planning and development programs.

Financial information for Heritage assets and Stewardship Land is presented in the Financial Report section of this report in the Notes to the Principal Statements and Required Supplementary Information.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of the U.S. Department of Transportation in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

FY 2020 FMFIA ASSURANCE LETTER TO THE PRESIDENT

THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

November 9, 2020

The President
The White House
Washington, DC 20500

Dear Mr. President:

This letter reports on the effectiveness of the internal control and financial management systems for the U.S. Department of Transportation (DOT) during Fiscal Year (FY) 2020. It also provides DOT's FY 2020 Federal Managers' Financial Integrity Act (FMFIA) assurance statement and summarizes noteworthy internal control and management efforts in support of that assurance for the fiscal year that ended on September 30, 2020.

The FMFIA holds Federal managers accountable for establishing and maintaining effective internal control and financial management systems. All DOT organizations are subject to Sections 2 and 4 of FMFIA, except the Saint Lawrence Seaway Development Corporation, which reports separately under the Government Corporations Control Act of 1945.

DOT management is responsible for managing risks and maintaining effective internal control to meet the objectives of Section 2 and 4 of FMFIA. DOT conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, DOT can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2020.

FMFIA (Public Law (P.L.) 97-255)

In FY 2020, DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2020 and open items from previous assessments and audits. DOT considered the identified control deficiencies separately and in the aggregate to identify issues that may rise to the level of a significant deficiency, material weakness or financial system non-compliance.

DOT is reporting no material weaknesses under Section 2 of FMFIA and no instances of financial system non-compliance related to Section 4 for the fiscal year that ended on September 30, 2020.

FY 2020 FMFIA ASSURANCE LETTER TO THE PRESIDENT (continued)

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The President

Management's Responsibility for Enterprise Risk Management and Internal Control
OMB Circular A-123, Appendix A: Management of Reporting and Data Integrity Risk

DOT management is responsible for establishing and maintaining effective internal control over reporting. DOT assessed the effectiveness of its internal control over reporting, including safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. During FY 2020, DOT documented and assessed internal controls over several business processes. Appendix A activities in FY 2020 included conducting an entity, process, and transaction level assessment of the controls over reporting.

In addition, an assessment was also performed on the Department-wide financial management system, Delphi, including obtaining an annual Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) Type II Report from the Enterprise Services Center (ESC) to determine if financial systems complied with Federal Financial Management system requirements.

DOT management developed a Data Quality Plan to achieve the objectives of the Digital Accountability and Transparency Act (DATA Act). The Data Quality Plan considers the incremental risks to data quality in federal spending data and the controls that would manage the risks. Through this process, DOT identified data elements at high-risk of inaccurate reporting. During FY 2020, DOT developed and conducted analytical procedures to assess the accuracy of the high-risk data elements related to financial assistance awards as part of a targeted review related to data quality.

Based on the results of the assessment, DOT provides reasonable assurance that internal control over reporting was operating effectively and no material weaknesses were identified as of September 30, 2020.

Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 (P.L. 112-194)
OMB Circular A-123, Appendix B: Improving the Management of Government Charge Card Programs

The Charge Card Act establishes reporting and audit requirement responsibilities for executive branch agencies. DOT has reviewed the Purchase and Travel Card programs for compliance with the Charge Card Act, and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices.

DOT also reviewed the Travel, Purchase, and Fleet Card programs for compliance with OMB Circular A-123, Appendix B requirements. Based on the results of the evaluation, DOT can provide reasonable assurance that they are in compliance with OMB Circular A-123, Appendix B.

FY 2020 FMFIA ASSURANCE LETTER TO THE PRESIDENT (continued)

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The President

Improper Payments Information Act of 2002 (IPIA; P.L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; P.L. 111-204), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; P.L. 112-248), and the Payment Integrity Information Act of 2019 (PIIA; P.L. 116-117)
OMB Circular A-123, Appendix C: Requirements for Payment Integrity Improvement

In FY 2020, DOT conducted a review of the programs and activities that it administers and based on the results, can provide reasonable assurance that it has conformed with the requirements of PIIA and OMB Circular A-123, Appendix C.

Federal Financial Management Improvement Act of 1996 (FFMIA) (P.L. 104-208)
OMB Circular A-123, Appendix D: Compliance with the FFMIA

FFMIA requires implementing and maintaining financial management systems that comply substantially with the following three FFMIA Section 803(a) requirements: Federal Financial Management Systems Requirements, applicable Federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the United States Standard General Ledger (USSGL) at the transaction level.

Based on the results of the FFMIA Compliance Determination Framework utilized from OMB Circular A-123, Appendix D and management's assessments of its internal controls within financial management systems as described under the OMB Circular A-123, Appendix A section above, DOT has determined that financial management systems complied with FFMIA.

Disaster Relief Appropriations Act, 2013 (P.L. 113-2)
OMB Memorandum: Accountability for Funds Provided by the Disaster Relief Appropriations Act (March 12, 2013)

Based on reviews of DOT's spending practices of Hurricane Sandy recovery-related funding, DOT provides reasonable assurance that it has implemented the appropriate policies and controls to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy.

Conclusion

Based on the results of our FMFIA assessment in FY 2020, I conclude that DOT has made substantial progress in enhancing the effectiveness of its internal control and financial management program. Additional enhancements are underway in FY 2021.

Sincerely,

E.L. Chao

Elaine L. Chao

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

The FMFIA requires agencies to conduct an annual evaluation of their internal control and financial management systems and report the results to the President and the Congress. Each agency then prepares an annual Statement of Assurance to report on the effectiveness of its internal control and financial management systems' compliance based on the assessment.

For Fiscal Year (FY) 2020, ending September 30, 2020, the Secretary of Transportation provided the President and the Congress a Statement of Assurance stating that DOT can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2020.

A separate discussion on internal controls follows at the end of this section.

FMFIA Annual Assurance Process

DOT management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of FMFIA. DOT is required to provide assurances related to FMFIA and the Federal Financial Management Improvement Act (FFMIA) in the annual Statement of Assurance. The Statement of Assurance represents the Secretary of Transportation's informed judgment as to the overall adequacy and effectiveness of internal control within the Agency related to operations, reporting, and system compliance.

The head of each Operating Administration (OA) and the Office of the Secretary of Transportation (OST) submits an annual FMFIA Statement of Assurance representing the overall adequacy and effectiveness of management controls within the organization to DOT's Office of Financial Management. Any identified FMFIA material weakness, significant deficiency, and/or system noncompliance are reported internally, as well as corrective actions put in place. Guidance for completing the OA Statement of Assurance and reporting on deficiencies is issued annually by DOT's Office of Financial Management.

Objectives of Control Mechanisms

The objectives of internal control put in place within the Department's operations are consistent with the objectives of FMFIA Sections 2 and 4, which include:

- Obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets;
- Audit findings are promptly resolved; and
- Financial systems conform to principles, standards, and related requirements prescribed by the Comptroller General.

Assessing Internal Controls

OMB Circular A-123 defines management's responsibility for Enterprise Risk Management (ERM) and internal control. The Statement of Assurance is based on assessments performed during FY 2020. The assessments for FY 2020 included the following, utilizing applicable guidance:

- Appendix A, *Management of Reporting and Data Integrity Risk*
- Appendix B, *A Risk Management Framework for Government Charge Card Programs*
- Appendix C, *Requirements for Payment Integrity Improvement*
- Appendix D, *Compliance with the Federal Financial Management Improvement Act*

Management's Statement of Assurance, as it relates to OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, is located in the preceding section of this report.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

FFMIA requires that each agency implement and maintain financial management systems that comply substantially with the following three FFMIA Section 803(a) requirements: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and (3) the United States Standard General Ledger (USSGL) at the transaction level.

Based on the assessment results of the FFMIA Compliance Determination Framework utilized from OMB Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act* and management's assessments of its internal control within Delphi, DOT's financial management system, DOT has determined that it was in compliance with FFMIA for FY 2020.

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE (continued)

FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014 (FISMA)

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 to be maintained by or on behalf of an agency. FISMA also requires that each agency report annually on the adequacy and effectiveness of information security policies, procedures, and practices and on FISMA compliance. OMB further requires that agency heads submit a signed letter that provides a comprehensive overview of these areas. In addition, FISMA requires that agencies have an independent evaluation performed over their information security programs and practices. At DOT, this annual evaluation is performed by OIG. For FY 2020, the annual FISMA report will be finalized and submitted on October 31, 2020, as required by OMB and the Department of Homeland Security (DHS). Like FY 2019, OIG separated its FISMA-required assessment and submission to OMB from a narrative audit report of cybersecurity at DOT. The narrative report is expected to be published in November 2020 and will be available at www.oig.dot.gov.

In 2020, OST, the nine OAs, and OIG operated a total of 450 information systems, an increase of 14 systems from the FY 2019 adjusted inventory. Of this total, 325 information systems are attributable to FAA, and 21 systems were identified as departmental high-value assets (HVAs). FAA's air traffic control system has been designated by the President as part of the critical national infrastructure, and the Delphi financial management system has been identified as a Federal HVA as a shared service provider to other departments and agencies. Other systems owned by DOT include safety-sensitive surface transportation systems and financial systems used to manage and disburse Federal funds each year.

As reviewed in FY 2020, DOT's cybersecurity program continues to have weaknesses and needs to make improvements in all functions of the National Institute of Standards and Technology (NIST) Cybersecurity Framework, including Identify, Protect, Detect, Respond, and Recover.

Consistent with its authorities under the Federal Information Technology Acquisition Reform Act (FITARA) and FISMA, the DOT Office of the Chief Information Officer (OCIO) continued the Agency's information technology (IT) transformation activity in FY 2020, with a focus on aggregation and centralization of commodity IT to achieve infrastructure, cost, and service efficiencies, and to reduce attack surface, cybersecurity, and privacy risks. Specific initiatives and accomplishments during FY 2020 included:

- Continued support of integrated IT spending reviews for OAs subject to OCIO FITARA oversight, identifying potential duplication, misalignment, risks, and explicit gaps within OA cybersecurity programs and plans;
- Maintained performance on the Executive Order (E.O.) 13800 risk management assessment at an overall rating of "Managing Risk" as of the most recent FY 2020 Q3 assessment;
- Award of task orders against the enterprise-wide cybersecurity bulk purchase agreement (BPA) improving internal controls, delivery of cybersecurity services and cyber outcomes, and reduction of cybersecurity risks;
- Completion of phishing exercises for more than 50,000 employees to increase awareness of social-engineering threats and to train personnel on the correct response;
- Procurement of services supporting DOT improvement from 42% compliance with DHS Trustworthy E-mail requirements to greater than 98% compliance;
- Acquisition of capabilities to improve security for agency personnel working remotely and using approved cloud services; and
- Securing 79 percent of DOT websites with HTTPS/HSTS/TLS in accordance with Federal requirements, an increase from 71 percent of sites secured at the same time last fiscal year.

For FY 2021, subject to the availability of resources, the Department plans to:

- Complete implementation of trusted e-mail as per DHS Binding Operational Directive (BOD) 18-01 for the remaining DOT domains not currently compliant with requirements by January 1, 2021;
- Update the inventory of DOT HVA systems by January 31, 2021;
- Complete deployment of cloud access security broker services by March 31, 2021;
- Complete deployment of advanced endpoint detection and response software by March 31, 2021;
- Enhance implementation of multi-factor authentication (MFA)/PIV identity, credentialing, access control and privilege management capabilities within infrastructure and mission systems and networks by September 30, 2021;
- Complete implementation and execution of ongoing phishing exercises for multiple DOT OAs by September 30, 2021; and
- Update the DOT cybersecurity incident response plan to reflect updated requirements from DHS/Cybersecurity and Infrastructure Security Agency (CISA) and perform at least one cybersecurity exercise to evaluate the updated plan by September 30, 2021.

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE (continued)

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

DOT maintains optimal performance of its financial management systems and business processes through our long-standing commitment to shared services. DOT's financial management shared services are operated by the Enterprise Services Center (ESC) in Oklahoma City, Oklahoma. ESC provides both business operational support and financial management systems services to DOT and non-DOT customers. By placing the focus on the people, processes, and technology, ESC is able to drive improvements and cost efficiencies in providing financial management services to DOT and participating non-DOT Federal customers.

The Department is developing key initiatives aimed at automating processes, strengthening internal controls, and improving financial reporting. These actions demonstrate continued discipline and accountability in the execution of DOT's fiscal responsibilities as stewards of taxpayers' dollars.

Increased Reporting for the Digital Accountability and Transparency Act of 2014 (DATA Act)

In addition to meeting all submission deadlines for FY 2020, DOT took swift actions to include new reporting requirements resulting from the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. By establishing a separate fund code and attaching a designated Disaster Emergency Fund Code (DEFC) in the financial management system, award-level information is now available so that the American people have insight into how DOT COVID-19 relief funds were spent.

Due to the exceptional nature of the COVID-19 relief funding and the requirements of the CARES Act, OMB expanded existing DATA Act guidance by adding new requirements and increasing the frequency of agency reporting. DOT met all new requirements on time and in July 2020, began submitting all DATA Act Files monthly, including a running total of outlays by award. As always, DOT continues to evaluate internal processes to improve the quality of the data submitted.

Robotic Process Automation (RPA)

In FY 2020, DOT expanded its pilot program to automate additional manual processes related to financial transaction reporting and reconciliation to better utilize personnel, streamline business processes, and enhance internal controls. During FY 2020, DOT formed an RPA working group to document 18 unique processes and perform a suitability assessment for automation readiness which resulted in four processes, with a combined monthly savings of 20 person hours, developed and ready for production deployment, and an additional 14 processes in the development pipeline. DOT purchased and installed software licenses and created a roadmap for deploying these processes along with a Robotic Operations Center and Service Desk.

Additionally, DOT developed a robust system security plan for its RPA solution to ensure proper controls are in place. In FY 2021, DOT will continue developing additional RPA processes to further streamline business processes and begin implementation of the resource training plan.

Government Invoicing (G-Invoicing)

DOT continues to prepare for the implementation of Department of Treasury's G-Invoicing solution which will automate Federal buy-sell transactions, improve trading partner communication, and standardize accounting practices. Over the past year, DOT established a Project Management Office (PMO) and a dedicated Department-wide workgroup; issued Department-wide policy on Inter-Agency Agreements and an accompanying Frequently Asked Questions document; and revised the implementation plan and project schedule to incorporate the Treasury's updated implementation date of October 1, 2022.

Additionally, DOT's G-Invoicing PMO evaluated system integration options for originating order transactions into Treasury's solution. This evaluation considered factors such as key business requirements; software and annual maintenance costs; and end user training needs. The DOT G-Invoicing PMO's intent is to select a solution that provides a systematic funds check; provides approval workflow flexibility; minimizes software configurations and reconciliations; and minimizes redundant data entry.

Expansion of Electronic Invoicing (eInvoicing)

During FY 2020, DOT continued implementation of its eInvoicing system to the DOT vendor community. All DOT OAs, except for FAA, will be transitioned to the eInvoicing solution for eligible vendors by the end of FY 2020. This system offers vendors and grantees the capability of submitting and tracking invoices electronically through an online portal, which eliminates manual entry of vendor invoice data and consolidates invoice approvals in Delphi, resulting in significant process improvements and efficiencies. Implementation of eInvoicing to FAA offices will continue in FY 2021.

In FY 2020, DOT completed the integration between Delphi and the General Services Administration's (GSA) system of record for vendor information, SAM.gov, and began syncing Delphi vendor data with SAM.gov data, which eliminates manual entry of vendor banking data and ensures grantee and vendor payments are disbursed to the correct banking institutions.

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE (continued)

SSAE-18 EXAMINATION ON DOT SYSTEMS

ESC is a shared service provider offering financial management systems and services to Federal agencies. ESC supports other Federal entities, including the Institute of Museum and Library Services, the U.S. Commodity Futures Trading Commission, the Consumer Product Safety Commission, the National Credit Union Administration, the U.S. Government Accountability Office (historical data), and the U.S. Securities and Exchange Commission. OMB requires shared service providers to provide client agencies with an independent auditors' report in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements 18 (SSAE-18) examination.

SSAE-18 includes a review of general, application, and operational controls over DOT's ESC. ESC performs services including accounting, financial management, systems and implementation, media solutions, telecommunications, and data center for DOT and other Federal organizations.

Delphi is hosted, operated, and maintained by FAA employees at the Mike Monroney Aeronautical Center in Oklahoma City, OK, under the overall direction of the DOT Deputy Chief Financial Officer.

This year's SSAE-18 examination of Delphi for the period covering October 1, 2019 through June 30, 2020 was conducted by KPMG LLP. KPMG concluded that management presented its description of ESC controls fairly in all material respects and that the controls, as described, were suitably designed and operating effectively for all stated control objectives.

FINANCIAL REPORT

OFFICE OF INSPECTOR GENERAL QUALITY CONTROL REVIEW

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Memorandum

Date: November 16, 2020

Subject: ACTION: Quality Control Review of the Independent Auditor's Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2020 and 2019 | Report No. QC2021008

From: Howard R. "Skip" Elliott
Acting Inspector General

To: The Secretary

I respectfully submit the results of our quality control review (QCR) of the independent auditor's report on the Department of Transportation's (DOT) audited consolidated financial statements for fiscal years 2020 and 2019.

We contracted with the independent public accounting firm KPMG LLP to audit DOT's consolidated financial statements as of and for the fiscal years ended September 30, 2020, and September 30, 2019, and provide an opinion on those financial statements, to report on internal control over financial reporting, and to report on compliance with laws and other matters. The contract requires the audit to be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.[1]

We appreciate the cooperation and assistance of DOT's representatives and KPMG. If you have any questions about this report, please call me at (202) 366-1959, or Louis C. King, Assistant Inspector General for Financial Audits, at (202) 366-1407.

cc: DOT Audit Liaison, M-1
Federal Aviation Administrator
FAA Audit Liaison, AAE-001
FTA Audit Liaison, TBP-30

[1] *Financial Audit Manual*, volumes 1, 2, and 3; GAO-18-601G and GAO-18-625G, updated April 2020; GAO-18-626G, June 2018.

KPMG's Report

In its audit of DOT's consolidated financial statements for fiscal years 2020 and 2019, KPMG reported that

- DOT's consolidated financial statements[2] were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- it found three significant deficiencies[3] in internal control over financial reporting that it did not consider to be material weaknesses;[4] and
- there were no instances of reportable noncompliance with provisions of laws tested or other matters.

KPMG made seven recommendations to address the significant deficiencies in internal control over financial reporting (see attachment 1).

Significant Deficiencies

Weaknesses in general information technology controls. KPMG identified general information technology control deficiencies at the application, database, and/or operating system levels related to audit log review and access controls for user access management, financial data, general ledger, timekeeping, inventory, procurement, environmental, financial management, and grant payment and management systems. More specifically, controls were not operating effectively over

- the review of audit logs, including documentation to evidence appropriate and timely completion of the review; or
- system access, including privileged account reviews, new user authorizations, and periodic review and recertification of access.

[2] The consolidated financial statements are included in the DOT's Financial Report (see attachment 3).

[3] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control 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 and correct, misstatements on a timely basis.

[4] A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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In addition, KPMG determined that operating administration management did not develop component-specific implementation of security plan requirements for certain systems.

Lastly, management could not provide key listings and other documents to evidence the operating effectiveness of certain controls.

Weaknesses in controls over subsidy estimates for the Transportation Infrastructure Finance and Innovation Act (TIFIA) direct loan program. KPMG found controls were not operating effectively to ensure that direct loan subsidy re-estimates are accurately calculated based on valid inputs. Furthermore, controls were not operating effectively to ensure that the cash flow projections that are used in the subsidy cost re-estimates are based on the best available information and reflect relevant and reliable data inputs.

Weaknesses in controls over Federal Transit Administration (FTA) grant accrual. KPMG found controls were not designed and implemented to support the development of new grant accrual categories based on relevant and reliable data. In addition, the control designed to review the historical disbursement days used in the accrual for each legacy grant accrual category did not operate effectively to ensure that the grant accrual is accurately calculated and recorded.

Recommendations

KPMG made the following recommendations to help strengthen DOT general information technology controls, FTA grant accrual controls, and TIFIA direct loan program controls.

For the General Information Technology Controls significant deficiency and TIFIA direct loan program significant deficiencies, KPMG recommended that DOT management:

1. Design and implement procedures to consistently and timely perform and document audit log reviews as required by standards for effective internal control systems and/or internal policy;
2. Design and implement procedures to consistently and timely perform and document user account access reviews as required by standards for effective internal control systems and/or internal policy;
3. Design and implement component-specific system security plan requirements in instances where plans for those areas not addressed in the Departmental system security plan;

4. Design and implement procedures related to the retention of appropriate supporting evidence of internal controls including, but not limited to, access administration, access recertification, audit log review, and patch management; and
5. Maintain a documentation trail which demonstrates completion of each step in the performance of their input validation control in accordance with the TIFIA Loan Subsidy Re-estimates standard operating procedures.

For the FTA grant accrual significant deficiency, KPMG recommended that FTA management:

1. Perform a documented risk assessment and develop a tailored grant accrual methodology for each new grant accrual category in which the expected costs incurred but not recorded may differ based on the characteristics of the grant funding. To the extent contradictory evidence or actual incurrence does not align with the initial assumptions developed, management should refine the methodology accordingly; and
2. Establish a documented review process to clearly demonstrate the historical disbursement days for all grant accrual categories have been reviewed prior to recording the grant accrual.

Quality Control Review

We performed a QCR of KPMG's report, dated November 13, 2020, and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on DOT's consolidated financial statements or conclusions about the effectiveness of internal control over financial reporting, or compliance with laws and other matters. KPMG is responsible for its report and the conclusions expressed therein.

Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Agency Comments and OIG Response

KPMG provided DOT with its draft report on November 10, 2020, and received DOT's response dated November 13, 2020 (see attachment 2). DOT agreed with the significant deficiencies KPMG found.

DOT concurred with KPMG's seven recommendations and committed to developing a corrective action plan to address the significant deficiencies by December 31, 2020. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

We consider all seven of KPMG's recommendations open and unresolved pending receipt of the corrective action plan.

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
United States Department of Transportation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Department of Transportation (Department), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of net cost and changes in net position and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Department of Transportation as of September 30, 2020 and 2019, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Table of Contents, Foreword, Message from the Secretary, and Other Information sections are presented for purposes of additional analysis and are not required parts of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2020, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Exhibit I as items 2020-01, 2020-02, and 2020-03, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2020 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Response to Findings

The Department's response to the findings identified in our audit is described and presented in the section Management's Response to the Independent Auditor's Report. The Department's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 13, 2020

United States Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I
SIGNIFICANT DEFICIENCIES

2020-01: Weaknesses in General Information Technology Controls

Background

The Department of Transportation utilizes various information technology systems to carry out its mission and to compile amounts recorded in its financial statements. Systems may vary within each operating administration based on the individual mission and needs of the operating administration.

The Federal Highway Administration (FHWA) utilizes various systems including, but not limited to, a user profile and access control system to manage user access to various applications within the FHWA environment and a grant management system.

The Federal Transit Administration (FTA) utilizes various systems including, but not limited to, a system whereby grant recipients request payments against federal grants awarded to them; a system utilized by internal users to query, view, and print financial records and reports; and a system to award and manage grant funding.

The Federal Aviation Administration (FAA) utilizes various information technology systems to carry out its mission and to compile amounts recorded in its financial statements. In addition to its general ledger system, FAA utilizes various information technology systems, including; a timekeeping system to record employee time and attendance; an inventory system related to asset management and inventory control; a procurement system to record and track requisitions, purchase orders, and contracts; and a site management system that tracks the environmental investigation, remediation, and regulatory closure status of the FAA's environmental sites.

The operating administrations are required to implement certain component-specific system security plans for those areas not addressed in the Departmental system security plan.

Criteria

The U.S. General Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book) sets the standards for an effective internal control system and provides an overall framework for designing, implementing, and operating effective internal control systems. The standards require entities to design appropriate types of control activities to include limiting access to resources and records to authorized individuals, and to periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. In addition, management should communicate quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.

Condition

Control deficiencies exist at the application, database, and/or operating system levels related to audit log review and access controls for the systems mentioned above and as listed below:

- Controls were not operating effectively over the review of audit logs, including documentation to evidence appropriate and timely completion of the review.
- Controls were not operating effectively over system access, including privileged account reviews, new user authorizations, and periodic review and recertification of access.

United States Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

In addition, operating administration management did not develop component-specific implementation of security plan requirements for certain systems.

Lastly, management could not provide key listings and other documents to evidence the operating effectiveness of certain controls.

Cause

Management has not established, or consistently implemented procedures to ensure compliance with standards for effective internal control systems and/or internal policy.

Effect

The absence of timely reviews of audit logs, leaves the Department exposed to the risk of delays in identifying and responding to incidents that could result in the exposure, modification, or loss of system data. Further, user accounts with inappropriate access may result in unauthorized use, disclosure, or modification of system data. Lastly, weaknesses in security management controls increase the risk that systems are not properly controlled and secured.

Recommendations

We recommend that management design and implement:

1. Procedures to consistently and timely perform and document audit log reviews as required by standards for effective internal control systems and/or internal policy.
2. Procedures to consistently and timely perform and document user account access reviews as required by standards for effective internal control systems and/or internal policy.
3. Component-specific system security plan requirements in instances where plans for those areas not addressed in the Departmental system security plan.
4. Procedures related to the retention of appropriate supporting evidence of internal controls including, but not limited to, access administration, access recertification, audit log review, and patch management.

United States Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

2020-02: Weaknesses in Controls over FTA Grant Accrual

Background

The FTA estimates and records a grant accrual for expenses incurred by grantees but not yet requested for payment from FTA. The grant accrual is calculated for each major grant accrual category by multiplying one year of historical grant disbursements by the number of days in the billing cycle (which is validated every three years). In FY20, FTA received $25 billion in supplemental grant funding provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act to support capital, operating, and other expenses generally eligible under FTA's grant programs to prevent, prepare for, and respond to COVID-19.

Criteria

The Green Book standards for internal control require entities to obtain "relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring."

Statement of Federal Financial Accounting Standards No. 5, *Accounting for Liabilities of the Federal Government,* states:

"24. A nonexchange transaction arises when one party to a transaction receives value without directly giving or promising value in return. There is a one-way flow of resources or promises. For federal nonexchange transactions, a liability should be recognized for any unpaid amounts due as of the reporting date. This includes amounts due from the federal entity to pay for benefits, goods, or services provided under the terms of the program, as of the federal entity's reporting date, whether or not such amounts have been reported to the federal entity."

Federal Accounting Standards Advisory Board Technical Release 12, *Accrual Estimate for Grant Programs,* states:

"14. Agencies must accumulate sufficient relevant and reliable data on which to base accrual estimates. Each agency should prepare grant accrual estimates based upon the best available data at the time the estimates are made."

"16. In the absence of sufficient relevant and reliable historical data on which to base accrual estimates, agencies should prepare estimates based upon the best available data at the time the estimates are made."

Condition

Controls are not designed and implemented to support the development of new grant accrual categories based on relevant and reliable data.

Additionally, the control designed to review the historical disbursement days utilized in the accrual for each legacy grant accrual category did not operate effectively to ensure that the grant accrual is accurately calculated and recorded.

United States Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

Cause

Management did not consider the best available information available to develop and support the new grant program category covering the CARES Act grant accrual methodology. Further, management did not perform a thorough review of the grant accrual calculation related to the legacy grant accrual categories to ensure the formulas utilized in the grant accrual calculation were appropriate.

Effect

The absence of an appropriately designed and supported methodology and magnitude of a newly implemented grant program, such as under the CARES Act, could result in material misstatements in the grant accrual that are not detected and corrected. Further, an imprecise review of the grant accrual calculation for legacy grant accrual categories further increases the risk of misstatement in the overall estimation of the grant accrual liability.

Recommendations

We recommend that FTA management:

1. Perform a documented risk assessment and develop a tailored grant accrual methodology for each new grant accrual category in which the expected costs incurred but not recorded may differ based on the characteristics of the grant funding. To the extent contradictory evidence or actual incurrence does not align with the initial assumptions developed, management should refine the methodology accordingly.

2. Establish a documented review process to clearly demonstrate the historical disbursement days for all grant accrual categories have been reviewed prior to recording the grant accrual.

United States Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

2020-03: Weaknesses in Controls over Subsidy Estimate for the Transportation Infrastructure Finance and Innovation Act Direct Loan Program

Background

The Office of the Secretary (OST) manages the Transportation Infrastructure Finance and Innovation Act (TIFIA) programs that provide direct loans, loan guarantees, and lines of credit for major transportation investments. In order to estimate the long-term costs of such loans, an estimate (technical re-estimate) is developed to determine the subsidy costs associated with the direct loans. In order to ensure that the data inputs used in the re-estimate model are complete and accurate, an internal review process is defined in the TIFIA Loan Subsidy Re-estimates Standard Operating Procedures (SOP).

Criteria

The Green Book standards for internal control require management design control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses.

Further, the standards require that management "completes and documents corrective actions to remediate internal control deficiencies on a timely basis. These corrective actions include resolution of audit findings. Depending on the nature of the deficiency, either the oversight body or management oversees the prompt remediation of deficiencies by communicating the corrective actions to the appropriate level of the organizational structure and delegating authority for completing corrective actions to appropriate personnel […] Management, with oversight from the oversight body, monitors the status of remediation efforts so that they are completed on a timely basis."

Condition

As part of the internal review process related to the technical re-estimates, controls to ensure the direct loan subsidy re-estimates are accurately calculated based on valid inputs were not operating effectively. Further, controls are not operating effectively to ensure that the cash flow projections that are used in the subsidy cost re-estimates are based on the best available information and reflect relevant and reliable data inputs.

Cause

Management's existing control to ensure the accuracy of relevant data inputs used in the subsidy cost estimate and re-estimate is not executed with sufficient attention to detail that is required to identify, detect, and correct errors in the input files prior to executing and recording the subsidy re-estimate.

Effect

The TIFIA subsidy cost allowance may be misstated as a result of the incorrect data inputs and/or assumptions used in the calculation.

United States Department of Transportation
Independent Auditors' Report
Internal Control Over Financial Reporting

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

Recommendations

We recommend that OST management maintain a documentation trail which demonstrates completion of each step in the performance of their input validation control in accordance with the TIFIA Loan Subsidy Re-estimates SOP.

MANAGEMENT'S RESPONSE TO THE INDEPENDENT AUDITORS' REPORT

U.S. Department of Transportation
Office of the Secretary of Transportation

Memorandum

November 13, 2020

Subject: Management's Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2020

From: John E. Kramer John E Kramer Jr
Chief Financial Officer and Assistant Secretary for Budget and Programs

To: Howard R. "Skip" Elliott
Acting Inspector General, Department of Transportation

M. Hannah Padilla
Partner, KPMG LLP

cc: Lana Hurdle, Deputy Assistant Secretary for Budget and Programs
Jennifer Funk, Deputy Chief Financial Officer

I am pleased to respond to the report on the Department of Transportation's (DOT) Consolidated Financial Statements. We take great pride in our ability to sustain strong and vigilant financial management, as demonstrated in our achievement of an unmodified audit opinion. This success reflects the hard work of all our Operating Administrations and our shared commitment to careful stewardship of taxpayer dollars.

We view the audit as an opportunity for ongoing improvement as we promote the prudent, effective and efficient use of funds across the Department. We concur with the three significant deficiencies contained in the report on internal controls over financial reporting and the corresponding recommendations. Corrective actions are already underway and we will submit a detailed plan along with estimated completion dates of the actions to the Inspector General no later than December 31, 2020.

I appreciate the professionalism and cooperation exhibited by your office during the audit. Our combined efforts and teamwork made the difference in successfully meeting the objectives of the financial audit process.

Please refer questions to the Deputy Chief Financial Officer, Ms. Jennifer Funk (202-366-5628).

PRINCIPAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As of September 30, 2020 and 2019

Dollars in Thousands	2020	2019
Assets		
Intragovernmental		
Fund Balance With Treasury *(Note 2)*	$65,290,548	$44,081,720
Investments, Net *(Note 3)*	22,390,869	45,642,343
Accounts Receivable, Net *(Note 4)*	80,621	99,124
Advances and Prepayments *(Note 5)*	23,431	70,410
Total Intragovernmental	**87,785,469**	**89,893,597**
Accounts Receivable, Net *(Note 4)*	98,887	112,734
Direct Loan and Loan Guarantees, Net *(Note 6)*	16,874,044	21,728,966
Inventory and Related Property, Net *(Note 7)*	1,057,263	1,007,480
General Property, Plant and Equipment, Net *(Note 8)*	12,440,128	12,557,630
Advances, Prepayments, and Other Assets *(Note 5)*	1,354,776	918,914
Total Assets	**$119,610,567**	**$126,219,321**
Stewardship property, plant and equipment *(Note 9)*		
Liabilities (Note 10)		
Intragovernmental		
Accounts Payable	$29,561	$29,806
Debt *(Note 11)*	17,007,979	20,756,047
Other *(Note 14)*	1,291,145	2,149,568
Total Intragovernmental	**18,328,685**	**22,935,421**
Accounts Payable	586,858	585,844
Loan Guarantee Liability *(Note 6)*	192,993	156,859
Federal Employee Benefits Payable	785,207	849,291
Environmental and Disposal Liabilities *(Note 12 and Note 16)*	876,612	1,021,384
Grant Accrual *(Note 13)*	15,791,963	8,665,105
Other *(Note 14)*	1,625,350	1,393,738
Total Liabilities	**$38,187,668**	**$35,607,642**
Commitments and contingencies (Note 16)		
Net Position		
Unexpended Appropriations—Funds From Dedicated Collections (Combined) *(Note 17)*	$489,609	$734,821
Unexpended Appropriations—All Other Funds (Combined)	45,324,553	33,462,200
Cumulative Results of Operations—Funds From Dedicated Collections (Combined) *(Note 17)*	24,367,243	44,901,862
Cumulative Results of Operations—All Other Funds (Combined)	11,241,494	11,512,796
Total Net Position—Funds From Dedicated Collections (Combined)	**24,856,852**	**45,636,683**
Total Net Position—All Other Funds (Combined)	**56,566,047**	**44,974,996**
Total Net Position	**81,422,899**	**90,611,679**
Total Liabilities and Net Position	**$119,610,567**	**$126,219,321**

CONSOLIDATED STATEMENTS OF NET COST

For the periods ended September 30, 2020 and 2019

Dollars in Thousands	2020	2019
Program Costs		
Surface Transportation		
Gross Costs	$83,184,207	$64,495,672
Less: Earned Revenue	1,175,521	1,135,657
Net Program Costs	**82,008,686**	**63,360,015**
Air Transportation		
Gross Costs	25,978,273	18,048,806
Less: Earned Revenue	555,638	629,620
Net Program Costs	**25,422,635**	**17,419,186**
Maritime Transportation		
Gross Costs	1,041,356	909,421
Less: Earned Revenue	461,255	230,833
Net Program Costs	**580,101**	**678,588**
Cross-Cutting Programs		
Gross Costs	603,825	649,503
Less: Earned Revenue	177,924	261,375
Net Program Costs	**425,901**	**388,128**
Costs Not Assigned to Programs	229,339	243,547
Less: Earned Revenues Not Attributed to Programs	1,448	1,601
Net Cost of Operations	**$108,665,214**	**$82,087,863**

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the periods ended September 30, 2020 and 2019

Dollars in Thousands	2020			2019		
	Funds from Dedicated Collections (Combined)	All Other Funds (Combined)	Total	Funds from Dedicated Collections (Combined)	All Other Funds (Combined)	Total
Unexpended Appropriations						
Beginning Balance	$734,821	$33,462,200	$34,197,021	$1,089,345	$28,022,957	$29,112,302
Budgetary Financing Sources						
Appropriations Received *(Note 1W)*	167,000	46,899,549	47,066,549	577,358	14,630,280	15,207,638
Appropriations Transferred-in/(out)	(15,536)	10,000	(5,536)	—	10,000	10,000
Other Adjustments	(59,638)	(35,079)	(94,717)	(37,892)	(27,165)	(65,057)
Appropriations Used	(337,038)	(35,012,117)	(35,349,155)	(893,990)	(9,173,872)	(10,067,862)
Total Budgetary Financing Sources	(245,212)	11,862,353	11,617,141	(354,524)	5,439,243	5,084,719
Total Unexpended Appropriations	**489,609**	**45,324,553**	**45,814,162**	**734,821**	**33,462,200**	**34,197,021**
Cumulative Results of Operations						
Beginning Balance	44,901,862	11,512,796	56,414,658	56,566,295	11,516,912	68,083,207
Budgetary Financing Sources						
Other Adjustments	1,971	(46)	1,925	—	(130)	(130)
Appropriations Used	337,038	35,012,117	35,349,155	893,990	9,173,872	10,067,862
Nonexchange Revenue *(Note 18)*	52,368,096	1,282	52,369,378	60,890,512	27,005	60,917,517
Donations/Forfeitures of Cash/ Cash Equivalents	1,167	—	1,167	1,567	—	1,567
Transfers-in/(out) Without Reimbursement	10,095,506	(10,055,713)	39,793	(10,989)	58,308	47,319
Other Financing Sources (Nonexchange)						
Donations and Forfeitures of Property	—	(115,784)	(115,784)	—	158,636	158,636
Transfers-in/(out) Without Reimbursement	(843,243)	876,542	33,299	(1,208,007)	1,209,203	1,196
Imputed Financing	368,673	55,691	424,364	422,546	106,494	529,040
Other	(1,356,373)	1,112,369	(244,004)	(66)	(1,303,627)	(1,303,693)
Total Financing Sources	**60,972,835**	**26,886,458**	**87,859,293**	**60,989,553**	**9,429,761**	**70,419,314**
Net Cost of Operations	81,507,454	27,157,760	108,665,214	72,653,986	9,433,877	82,087,863
Net Change	(20,534,619)	(271,302)	(20,805,921)	(11,664,433)	(4,116)	(11,668,549)
Cumulative Results of Operations	**24,367,243**	**11,241,494**	**35,608,737**	**44,901,862**	**11,512,796**	**56,414,658**
Net Position	**$24,856,852**	**$56,566,047**	**$81,422,899**	**$45,636,683**	**$44,974,996**	**$90,611,679**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the periods ended September 30, 2020 and 2019

Dollars in Thousands	2020		2019	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources (Note 19)				
Unobligated Balance From Prior Year Budget Authority, Net	$61,161,514	$517,324	$57,176,824	$140,292
Appropriations (Note 1W)	71,774,471	—	29,243,294	—
Borrowing Authority	—	4,519,585	—	3,259,505
Contract Authority	62,014,956	—	60,679,266	—
Spending Authority From Offsetting Collections	12,853,556	516,704	12,101,384	536,552
Total Budgetary Resources	**$207,804,497**	**$5,553,613**	**$159,200,768**	**$3,936,349**
Status of Budgetary Resources				
New Obligations and Upward Adjustments	$147,346,615	$5,268,053	$98,811,175	$3,631,140
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	39,608,570	90,944	39,063,239	29,817
Unapportioned, Unexpired Accounts	20,601,807	194,616	21,078,697	275,392
Unexpired Unobligated Balance, End of Year	60,210,377	285,560	60,141,936	305,209
Expired Unobligated Balance, End of Year	247,505	—	247,657	—
Unobligated Balance, End of Year	**60,457,882**	**285,560**	**60,389,593**	**305,209**
Total Budgetary Resources	**$207,804,497**	**$5,553,613**	**$159,200,768**	**$3,936,349**
Outlays, Net, and Disbursements, Net				
Outlays, Net	$112,108,737		$81,922,918	
Distributed Offsetting Receipts	(11,801,716)		(1,244,815)	
Agency Outlays, Net	**$100,307,021**		**$80,678,103**	
Disbursements, Net		**$(3,725,801)**		**$3,920,599**

NOTES TO THE PRINCIPAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The U.S. Department of Transportation (DOT or Department) reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The Department serves as the strategic focal point in the Federal Government's national transportation plan. It partners with cities and States to meet local and national transportation needs by providing financial and technical assistance; ensuring the safety of all transportation modes; protecting the interests of the American traveling public; promoting international transportation treaties; 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 team and organizational structure. Collectively, they provide services and oversight to ensure the best possible transportation system serves the American public. The Department's consolidated financial statements present the financial data for various trust funds, revolving funds, appropriations and special funds of the following organizations (referred to as Operating Administrations):

- Office of the Secretary (OST) [includes OST Working Capital Fund, Volpe National Transportation Center and Office of the Assistant Secretary for Research and Technology]
- 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)

The U.S. Saint Lawrence Seaway Development Corporation (SLSDC) is a wholly owned Government corporation and an Operating Administration of the Department. However, SLSDC's financial data is not consolidated into the DOT consolidated financial statements as the dollar value of its activities is not material to that of the Department taken as a whole. The SLSDC is subject to separate reporting requirements under the Government Corporation Control Act and undergoes its own annual financial statement audit. SLSDC's financial statements are available via their website.

Pursuant to the Surface Transportation Board Reauthorization Act of 2015 (P.L. 114-110), as of October 1, 2015, the Surface Transportation Board (STB) became an independent agency and is no longer an Operating Administration of the DOT. For reporting purposes, the expired STB Treasury Appropriation/ Fund Symbols for FY 2015 and prior will remain on DOT's books and records until canceled, as these funds were appropriated to DOT and obligated as such.

B. BASIS OF PRESENTATION

The consolidated financial statements have been prepared to report the Department's financial position and 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. 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. Material intradepartmental transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Combined Statement of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular A-136, *Financial Reporting Requirements*, as revised, and as such, intraentity transactions have not been eliminated. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets and certain accompanying notes to the consolidated financial statements present agency assets, liabilities, and net position (which equals total assets minus total liabilities) as of the reporting dates. Agency assets substantially consist of entity assets (those which are available for use by the agency). Nonentity assets (those which are managed by the agency, but not available for use in its operations) are primarily for DOT's downward reestimates in its loan programs. The downward reestimates are not available to DOT and they are returned to the Treasury in the fiscal year following the accrual of the reestimates. See Note 10 for additional discussion of non-entity assets and liabilities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Department, as a whole for the reporting periods.

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 net position balances.

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available, as well as the status of budgetary resources at the end of the reporting periods. Recognition and measurement of budgetary information reported on these statements is based on budget terminology, definitions, and guidance presented in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated July 2020.

A Statement of Custodial Activity is not presented as DOT custodial activity is incidental to departmental operations and is not considered material to the consolidated financial statements taken as a whole. DOT custodial activity is presented in Note 20.

On the Consolidated Balance Sheets and in certain accompanying notes to the consolidated financial statements, transaction balances are classified as either being intragovernmental or with the public. Intragovernmental transactions and balances result from exchange transactions made between DOT and other Federal Government entities 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 dedicated collections separately from other funds. Funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources which remain available over time. Funds from dedicated collections are required, by statute, to be used for designated activities, benefits or purposes.

C. BUDGETS AND BUDGETARY ACCOUNTING

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated July 2020. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, the U.S. Congress (Congress) provides budget authority, primarily in the form of appropriations, to the DOT Operating Administrations to incur obligations in support of agency programs. For FY 2020 and FY 2019, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity, borrowing authority, and contract authority. DOT recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through warrants and trust fund transfers.

Programs are financed from authorizations enacted in authorizing legislation and codified in Title 23 and 49 of the United States Code (U.S.C.). The DOT receives its budget authority in the form of direct appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. 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

The Department's consolidated financial statements are prepared in accordance with all applicable accounting principles and standards developed and issued by 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 United States Standard General Ledger requirements at the transaction level.

Transactions are recorded on an accrual and a budgetary accounting 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. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. FUND BALANCE WITH TREASURY

Fund balance with Treasury is an asset of the Department and a liability of the General Fund of the U.S. Government. Similarly, investments in U.S. Government securities that are held by dedicated collections accounts are assets of the DOT and liabilities of the General Fund of the U.S. Government. In both cases, the amounts represent commitments by the government to provide resources for particular programs, but they do not represent net assets to the government as a whole.

When the DOT seeks to use fund balance with Treasury or investments in U.S. Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DOT does not 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 liabilities and finance authorized purchases. Lockboxes have been established with financial institutions to collect certain payments, and these funds are transferred directly to the U.S. Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

F. INVESTMENTS IN U.S. GOVERNMENT SECURITIES

Investments, consisting of U.S. Government Securities, are reported at cost, adjusted for amortized cost, net of premiums or discounts, and are held to maturity. Premiums or discounts are amortized into interest income over the term of the investment using the interest method. The Department has the intent and the ability to hold investments to maturity. Investments, redemptions, and reinvestments are controlled and processed by the U.S. Treasury. DOT has nonmarketable par value and market-based Treasury securities. DOT also has marketable securities issued by the Treasury at market price.

G. RECEIVABLES

Accounts Receivable

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. 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. Accounts receivable including federal and public are presented net of an allowance for loss on uncollectible amounts, which is based on historical collection experience or an analysis of the individual receivables.

Loans Receivable

Loans are accounted for as receivables after funds have been disbursed. 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 U.S. 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

Within the FAA's Franchise Fund, inventory is held for sale to the FAA field locations and other domestic entities and foreign governments. Inventory consists of materials and supplies that the FAA uses to support our nation's airspace system and is predominantly located at the FAA Mike Monroney Aeronautical Center in Oklahoma City. Inventory costs include material, labor, and applicable manufacturing overhead.

Inventory held for sale includes both purchased inventory and refurbished inventory. Inventory held for sale is valued using historical cost, applying the moving average cost flow method. The moving average cost flow method is an inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

FAA field locations frequently exchange non-operational repairable units with the Franchise Fund. These components are classified as "held for repair" and valued using the direct method.

Inventory may be deemed to be “excess, obsolete, and unserviceable” if, for example, the quantity exceeds projected demand for the foreseeable future or if the item has been technologically surpassed. The “excess, obsolete, and unserviceable” inventory is determined to have no residual net realizable value, therefore, a loss is recognized to write off the inventory in the current period.

Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. They are valued based on the latest acquisition cost. Operating materials and supplies are expensed using the consumption method of accounting. Operating materials and supplies may be classified as excess, obsolete, and unserviceable and an allowance is established based on the condition of various asset categories and historical experience with disposing of such assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. PROPERTY AND EQUIPMENT

DOT Operating Administrations 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 thousand for structures and facilities and for internal use software, and $100 thousand 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 cost. The straight line method is used to depreciate capitalized assets.

DOT's heritage assets, consisting of Union Station in Washington, D.C., the Nuclear Ship Savannah, and collections of maritime artifacts, are considered priceless and are not capitalized in the Consolidated Balance Sheet (See Note 9).

J. ADVANCES AND PREPAYMENTS

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.

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, which are covered by available 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 transactions other than contracts. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources (i.e. custodial collections).

L. GRANT ACCRUAL

The Department records an obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their grant agreement, they request payment by the DOT, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. The DOT also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. Grant expenses, including associated administrative costs, are classified on the Consolidated Statements of Net Cost.

M. 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 estimable). Contingent liabilities that are considered remote are not disclosed. 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 from the Judgment Fund administered by the U.S. Treasury.

The Department has entered into contractual commitments that require future use of financial resources, specifically for long-term lease obligations. The Department is committed to various leases primarily covering administrative office space, technical facilities and fleet vehicles with GSA and other vendors, when granted the authority. Specifically, FAA and MARAD have general procurement provisions, pursuant to U.S.C. Title 49 Section 40110(c)(1) and Title 46 Section 50303, respectively. Leases may contain escalation clauses tied to changes in inflation, taxes or renewal options. Although most have short termination arrangements, the Department intends to remain in the leases. Depending on terms, the leases are either recorded as capital or operating leases (See Note 15).

N. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. 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, Federal Employee Retirement System (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 after December 31, 1983, DOT also contributes the employer's matching share for Social Security.

Employing agencies are required to recognize pensions and other postretirement 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 U.S. 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.

P. FEDERAL EMPLOYEES HEALTH BENEFIT (FEHB) PROGRAM

Most Department employees are enrolled in the FEHB Program, which provides current and postretirement health benefits. OPM administers these programs and is responsible for reporting the related liabilities. OPM contributes the 'employer' share for retirees via an appropriation and the retirees contribute their portion of the benefit directly to OPM. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the employer cost of these postretirement benefits for covered employees as an imputed cost.

Q. FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

Most Department employees are entitled to participate in the FEGLI 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 reporting the related liabilities. OPM calculates the U.S. Government's service cost for the postretirement portion of the basic life coverage each fiscal year. Because OPM fully allocates the Department's contributions for basic life coverage to the preretirement portion of coverage, the Department has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost.

R. FEDERAL EMPLOYEES COMPENSATION ACT (FECA) BENEFITS

The Federal Employees Compensation Act (FECA) (Public Law 103-3) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the DOT for these paid claims.

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because DOT will reimburse the U.S. Department of Labor (DOL) 2 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.

S. ENVIRONMENTAL AND DISPOSAL LIABILITIES

DOT recognizes two types of environmental liabilities: unfunded environmental remediation liability and unfunded asset disposal liability. The liability for environmental remediation is an estimate of costs necessary to bring known contaminated sites into compliance with applicable environmental standards. The increase or decrease in the annual liability is charged to current year expense.

The asset disposal liability is the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous material when an asset presently in service is shut down. DOT estimates the asset disposal liability at the time that an asset is placed in service. For assets placed in service through FY 1998, the increase or decrease in the estimated environmental cleanup liability is charged to expense. Assets placed in service in FY 1999 and after do not contain any known hazardous materials, and therefore do not have associated environmental liabilities.

There are no known possible changes to these estimates based on inflation, deflation, technology, or applicable laws and regulations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

T. INTER-ENTITY COSTS

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the DOT are recognized as imputed cost in the Statement of Net Cost, and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

U. USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities and contingent liability disclosures as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates underlying the accompanying financial statements include the accruals of accounts and grants payable, and accrued legal, contingent, environmental, and disposal liabilities. Additionally, the Federal Credit Reform Act of 1990 (FCRA) requires the Department to use estimates in determining the reported amount of direct loan and loan guarantees, the loan guarantee liability and the loan subsidy costs associated with future loan performance.

V. ALLOCATION TRANSFERS

DOT is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a recipient (child) entity. Allocation transfers are legal delegations by one Federal agency of its authority to obligate budget authority and outlay funds to another Federal agency. 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. 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 agency, to the following non-DOT Federal agencies in accordance with applicable public laws and statutes: U.S. Bureau of Indian Affairs, U.S. Bureau of Reclamation, U.S. Forest Service, U.S. National Park Service, U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Department of the Army, Appalachian Regional Commission, U.S. Army Corps of Engineers, Internal Revenue Service (IRS), U.S. Department of Housing and Urban Development, Denali Commission, U.S. Department of Navy, and the U.S. Department of the Air Force.

DOT receives allocations of funds, as the child agency, from the following non-DOT Federal agencies in accordance with applicable laws and statutes: U.S. Department of Agriculture, U.S. Department of the Interior, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, and the U.S. Department of Defense (DoD). This activity is included in the financial statements of the parent agency and is not included in the DOT financial statements.

W. REVENUES AND OTHER FINANCING SOURCES

Funds from Dedicated Collections Excise Tax Revenues (Nonexchange)

Two significant DOT programs, the Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF), receive nonexchange funding support from the dedicated collection of excise taxes.

The DOT September 30, 2020 financial statements reflect excise taxes certified by the IRS through March 31, 2020 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period April 1, 2020 to September 30, 2020, as specified by FASAB Statement of Federal Financial Accounting Standard (SFFAS) Number 7, Accounting for Revenue and Other Financing Sources. Actual excise tax collection data for the quarters ended June 30, 2020 and September 30, 2020 will not be available from the IRS until after the statements are released. The HTF and AATF receive their 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 and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations (Financing Source)

As a component of the U.S. Government-wide reporting entity, the DOT is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the U.S. Government-wide financial reports.

The DOT's budgetary resources reflect past Congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the U.S. Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DOT receives annual, multiyear and no-year appropriations. Appropriations are recognized as financing sources when related program and administrative expenses are incurred. Additional amounts are obtained from offsetting collections and user fees (e.g., overflight fees and registry certification 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.

On September 29, 2018, President Trump signed the Airport and Airway Extension Act of 2018, Part II (P.L. 115-250) which extended the AATF authorization to October 7, 2018. On October 5, 2018, President Trump signed the FAA Reauthorization Act of 2018 (P.L. 115-254) which extended the AATF authorizations and related revenue authorities to September 30, 2023.

On December 4, 2015, former President Obama signed, into law, the Fixing America's Surface Transportation Act, or "FAST Act", (P.L. 114-94) providing funding for surface transportation through September 30, 2020. On October 1, 2020, President Trump signed the Continuing Appropriations Act, 2021 and Other Extensions Act, Public Law 116-159, which extended the HTF authorizations and related revenue authorities to September 30, 2021.

In the period between October 1, 2018 and February 14, 2019, the Department was under a Continuing Resolution which was eventually superseded by the 2019 Appropriations Act (P.L. 116-6), signed into law by the President on February 15, 2019.

On June 6, 2019, the President signed the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (P.L. 116-20), which appropriated $1.7 billion to several DOT Operating Administrations for disaster assistance related to major declared disasters occurring in calendar year 2018.

In the period between October 1, 2019 and December 19, 2019, the Department was under a Continuing Resolution which was eventually superseded by the Further Consolidated Appropriations Act, 2020 (P.L. 116-94), signed into law by the President on December 20, 2019.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) was signed into law by President Trump on March 27, 2020. DOT received $36 billion of FY 2020 of supplemental appropriations to prevent, prepare for, or respond to COVID-19.

Effective October 1, 2020, the Department is operating under a continuing resolution (CR), Public Law 116-159, to continue Government operations. The CR will be in effect through December 11, 2020, unless superseded by enactment of specified appropriations legislation and includes a provision that allows the DOT to continue spending at FY 2020 rates. The CR also appropriated $13.6 billion and $14 billion in FY 2021 from the General Fund of the U.S. Government to be transferred to the HTF and AATF, respectively.

X. FIDUCIARY ACTIVITIES

Fiduciary assets and liabilities are not assets and liabilities of the Department and, as such, are not recognized on the Balance Sheet. The MARAD Title XI Escrow Fund contains fiduciary activity as detailed in Note 22.

Y. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation. Specifically, due to revisions in OMB Circular A-136 Financial Reporting Requirements in FY 2020, certain financial statement and notes to the consolidated financial statements have been reclassified to conform to changes in reporting requirements. Specifically, the Statement of Budgetary Resources, Outlays, net total excludes gross disbursements and offsetting collections from credit financing accounts which impacts the Reconciliation of Net Operating Cost and Net Budgetary Outlays. These reclassifications have no effect on total assets, liabilities, net cost, change in net position or budgetary resources as previously reported.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Z. TAXES

DOT, as a Federal entity is not subject to Federal, State, or local income taxes and, accordingly, does not record a provisions for income taxes in the accompanying financial statements.

AA. CLASSIFIED ACTIVITIES

SFFAS 56 requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balances with Treasury as of September 30, 2020 and 2019 consist of the following:

Dollars in Thousands	2020	2019
Status of Fund Balance With Treasury		
Unobligated Balance		
Available	$34,712,377	$33,920,409
Unavailable	2,742,428	3,639,935
Obligated Balance Not Yet Disbursed	27,494,994	6,137,886
Non-Budgetary Fund Balance With Treasury	340,749	383,490
Total	**$65,290,548**	**$44,081,720**

Fund Balances with Treasury are the aggregate amounts of the Department's accounts with Treasury for which the Department is authorized to make expenditures and pay liabilities. Fund Balance with Treasury is an asset to the DOT, but not to the Government as a whole because it is a liability of the Treasury General Fund.

Unobligated fund balances are reported as not available when the balance is not legally available for obligation. However, balances that are not available can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period. Obligated Balance not yet Disbursed includes unpaid obligations offset by investments, contract authority, and uncollected customer payments from other federal government accounts. Therefore, the unobligated and obligated balances presented will not agree to related amounts reported on the Combined Statements of Budgetary Resources.

The DOT is funded with appropriations from trust funds and the General Fund of the Treasury. While amounts appropriated from the General Fund of the Treasury are included in Fund Balance with Treasury, trust fund investments are not. Trust fund investments are redeemed, as needed, to meet DOT's cash disbursement needs, at which time the funds are transferred into Fund Balance with Treasury. The DOT also receives contract authority which allows obligations to be incurred in advance of an appropriation. The contract authority is subsequently funded, as authorized, from the trust fund allowing for the liquidation of the related obligations. Thus, investments and contract authority are not part of Fund Balance with Treasury; however, their balances will be transferred from the trust fund to Fund Balance with Treasury over time to liquidate obligated balances and unobligated balances as they become obligated, and thus are necessarily included in the Status of Fund Balance with Treasury.

Due to CARES Act appropriations received during FY 2020, DOT reports significantly more Fund Balances with Treasury than the prior year. (See Note 24)

NOTE 3. INVESTMENTS

Investments as of September 30, 2020 consist of the following:

Dollars in Thousands	Cost	Amortized (Premium) Discount	Investments (Net)	Market Value
Intragovernmental Securities				
Marketable	$50,316	$(384)	$49,932	$51,005
Non-Marketable Par Value	19,981,103	—	19,981,103	19,981,103
Non-Marketable Market-Based	2,302,424	12,082	2,314,506	2,335,706
Subtotal	**22,333,843**	**11,698**	**22,345,541**	**22,367,814**
Accrued Interest Receivable	45,328	—	45,328	—
Total Intragovernmental Securities	**$22,379,171**	**$11,698**	**$22,390,869**	**$22,367,814**

Investments as of September 30, 2019 consist of the following:

Dollars in Thousands	Cost	Amortized (Premium) Discount	Investments (Net)	Market Value
Intragovernmental Securities				
Marketable	$50,207	$(561)	$49,646	$50,046
Non-Marketable Par Value	43,210,424	—	43,210,424	43,210,424
Non-Marketable Market-Based	2,292,830	(10,590)	2,282,240	2,291,825
Subtotal	**45,553,461**	**(11,151)**	**45,542,310**	**45,552,295**
Accrued Interest Receivable	100,033	—	100,033	—
Total Intragovernmental Securities	**$45,653,494**	**$(11,151)**	**$45,642,343**	**$45,552,295**

Investments include nonmarketable par value and market-based Treasury securities and marketable securities issued by the Treasury. Nonmarketable par value Treasury securities are issued by the Bureau of Fiscal Service to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Nonmarketable market-based Treasury securities are also issued by the Bureau of Fiscal Service 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 nonmarketable 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 dedicated collections. The cash receipts collected from the public that meet the definition of dedicated collections are deposited in the U.S. Treasury, which uses the cash for Government purposes. Treasury securities held by a fund from dedicated collections are an asset of the fund and a liability of the U.S. Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements. Nonmarketable 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, in the same way that the Government finances all other expenditures.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2020 consist of the following:

Dollars in Thousands	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
Intragovernmental			
Accounts Receivable	$86,155	$(5,534)	$80,621
Total Intragovernmental	**86,155**	**(5,534)**	**80,621**
Public			
Accounts Receivable	268,953	(171,342)	97,611
Accrued Interest	4,634	(3,358)	1,276
Total Public	**273,587**	**(174,700)**	**98,887**
Total Accounts Receivable	**$359,742**	**$(180,234)**	**$179,508**

The gross amount of accounts receivables and the estimate of net realizable value related to criminal restitution was $33 thousand in FY 2020 and $82 thousand in FY2019.

Accounts Receivable as of September 30, 2019 consist of the following:

Dollars in Thousands	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
Intragovernmental			
Accounts Receivable	$99,124	$—	$99,124
Total Intragovernmental	**99,124**	**—**	**99,124**
Public			
Accounts Receivable	165,798	(54,299)	111,499
Accrued Interest	3,921	(2,686)	1,235
Total Public	**169,719**	**(56,985)**	**112,734**
Total Accounts Receivable	**$268,843**	**$(56,985)**	**$211,858**

NOTE 5. ADVANCES, PREPAYMENTS AND OTHER ASSETS

Advances, Prepayments, and Other Assets consist of the following as of September 30, 2020 and 2019:

Dollars in Thousands	2020	2019
Intragovernmental		
Advances and Prepayments	$23,431	$70,410
Total Intragovernmental Other Assets	**$23,431**	**$70,410**
Public		
Advances to States for Right of Way	$252	$258
Advances and Prepayments	1,354,436	918,571
Other	88	85
Total Public Other Assets	**$1,354,776**	**$918,914**

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. Public Other Assets are comprised of advances to States, employees, grantees, and contractors, for expenses not yet incurred and services not yet received.

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**—Direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees; and
2. **Post-1991**—Direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees.

The act, as amended, governs direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans and loan guarantees. Consistent with the act, SFFAS number 2, Accounting for Direct Loans and Loan Guarantees, requires Federal agencies to recognize the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults [net of recoveries], fee offsets, and other cash flows) as a cost 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. The value of assets for direct loans and defaulted guaranteed loans is not the same as the proceeds that would be expected from the sale of the loans. DOT does not have any loans obligated prior to FY 1992.

Interest on the loans is accrued based on the terms of the loan agreement. DOT does not accrue interest on nonperforming loans that have filed for bankruptcy protection. DOT management considers administrative costs to be insignificant.

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, including track, components of tract, bridges, yards, buildings, and shops; refinance outstanding debt incurred; and develop or establish new intermodal or railroad facilities.
2. The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program provides Federal credit assistance for major transportation investments of critical national importance such as highway, transit, passenger rail, certain freight facilities, and certain port projects with regional and national benefits. The TIFIA credit program is designed to fill market gaps and leverage substantial private coinvestment by providing supplemental and subordinate capital.
3. The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified ship owners and shipyards. Approved applicants are provided the benefit of long-term financing at stable interest rates. In FY 2019, Title XI ceased guarantees of new loans financed by the private sector. During FY 2020, the Department began disbursing loans financed by the Federal Financing Bank (FFB). Although, by statue, Title XI is a guaranteed loan program, under Office of Management and Budget (OMB) reporting instructions, guarantees of FFB financed loans are accounted for as direct loans. Accordingly, MARAD has established a receivable for these loans on its books of record and services the debt by collecting payments and transferring the payments to the FFB.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

4. The OST Minority Business Resource Center (MBRC) Guaranteed Loan Program helped small businesses obtain financing needed to participate in transportation-related contracts. In FY 2018, MBRC ceased disbursement of new loans as new budget authority is no longer provided.

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 After FY 1991

Dollars in Thousands

	2020 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$1,443,510	$86	$—	$(171,886)	$1,271,710
(2) TIFIA Loans	14,737,748	—	166,635	183,870	15,088,253
(3) Federal Ship Financing Fund (Title XI)	325,527	—	—	(16,160)	309,367
Total	**$16,506,785**	**$86**	**166,635**	**$(4,176)**	**$16,669,330**

Dollars in Thousands

	2019 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$1,231,295	$38	$—	$(250,874)	$980,459
(2) TIFIA Loans	19,735,332	—	166,635	628,697	20,530,664
Total	**$20,966,627**	**$38**	**$166,635**	**$377,823**	**$21,511,123**

Total Amount of Direct Loans Disbursed (Post-1991)

Dollars in Thousands

	2020	2019
Direct Loan Programs		
(1) Railroad Rehabilitation Improvement Program	$244,584	$736,491
(2) TIFIA Loans	1,665,525	3,363,596
(3) Federal Ship Financing Fund (Title XI)	325,527	—
Total	**$2,235,636**	**$4,100,087**

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

Subsidy Expense for Direct Loans by Program and Component

Subsidy Expense for New Direct Loans Disbursed

Dollars in Thousands

	2020 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$—	$—	$—	$(5,121)	$(5,121)
(2) TIFIA Loans	—	110,581	—	—	110,581
(3) Federal Ship Financing Fund (Title XI)	—	14,142	(16,074)	—	(1,932)
Total	**$—**	**$124,723**	**$(16,074)**	**$(5,121)**	**$103,528**

Dollars in Thousands

	2019 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$—	$24,316	$(24,316)	$(6,452)	$(6,452)
(2) TIFIA Loans	—	201,369	—	—	201,369
Total	**$—**	**$225,685**	**$(24,316)**	**$(6,452)**	**$194,917**

Modifications and Reestimates

Dollars in Thousands

	2020 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Direct Loan Programs				
(1) Railroad Rehabilitation Improvement Program	$—	$—	$(32,346)	$(32,346)
(2) TIFIA Loans	—	(369,699)	566,291	196,592
(3) Federal Ship Financing Fund (Title XI)	—	(43)	2,436	2,393
Total	**$—**	**$(369,742)**	**$536,381**	**$166,639**

Total Direct Loan Subsidy Expense

Dollars in Thousands

	2020	2019
Direct Loan Programs		
(1) Railroad Rehabilitation Improvement Program	$(37,467)	$145,422
(2) TIFIA Loans	307,173	(872,027)
(3) Federal Ship Financing Fund (Title XI)	461	—
Total	**$270,167**	**$(726,605)**

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

	2020 Interest Differential	Defaults	Fees And Other Collections	Other	Total
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	-0.59%	4.16%	-3.57%	0.00%	0.00%
(2) TIFIA Loans					
Risk Category 1	1.06%	1.78%	0.00%	0.00%	2.84%
(3) Federal Ship Financing Fund (Title XI)	0.00%	4.27%	-4.85%	0.00%	-0.58%

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 reestimates.

Schedule For Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

Dollars in Thousands	2020	2019
Beginning Balance, Changes, and Ending Balance		
Beginning Balance of the Subsidy Cost Allowance	$(377,823)	$333,577
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	124,723	225,685
Fees and Other Collections	(16,074)	(24,316)
Other Subsidy Costs	(5,121)	(6,452)
Total of the Above Subsidy Expense Components	**103,528**	**194,917**
Adjustments		
Loan modifications	—	16,723
Fees received	15,699	—
Subsidy Allowance Amortization	96,133	(9,111)
Other	—	24,316
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**(162,463)**	**560,422**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(369,742)	(638,083)
Technical/Default Reestimate	536,381	(300,162)
Total of the Above Reestimate Components	**166,639**	**(938,245)**
Ending Balance of the Subsidy Cost Allowance	**$4,176**	**$(377,823)**

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

Direct Loans Receivable

	2020
Direct Loans receivable, gross - beginning of the year	$20,966,627
Loans disbursed (+)	2,235,636
Principal Payments Received (-)	(6,987,698)
Capitalized Interest (+)	292,220
Direct Loans receivable, Gross - end of year	**$16,506,785**

The economic assumptions of the TIFIA upward and downward reestimates were the result of a reassessment of risk levels as well as estimated changes in future cash flows on loans. Actual interest rates used for FY 2020 loan disbursements were lower than the interest rate assumptions used during the budget formulation process at loan origination. The significant downward interest rate reestimate resulted from a combination of the lower actual interest rates used and the large loan disbursement amounts made over this time period.

The Railroad Rehabilitation Improvement Program's upward and downward reestimates were the result of an update for actual cash flows and changes in technical assumptions.

GUARANTEED LOANS

Defaulted Guaranteed Loans From Post-1991 Guarantees

Dollars in Thousands

	2020 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy	Assets Related To Default Guaranteed Loans Receivable, Net
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$203,685	$—	$1,029	$—	$204,714
(4) OST Minority Business Resource Center	724	72	—	(796)	—
Total	**$204,409**	**$72**	**$1,029**	**(796)**	**$204,714**

Dollars in Thousands

	2019 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy	Assets Related To Default Guaranteed Loans Receivable, Net
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$216,634	$—	$1,209	$—	$217,843
(4) OST Minority Business Resource Center	480	15	—	(495)	—
Total	**$217,114**	**$15**	**$1,209**	**$(495)**	**$217,843**

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

Guaranteed Loans Outstanding

Dollars in Thousands

	2020 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$1,323,919	$1,323,919
(4) OST Minority Business Resource Center	228	171
Total	**$1,324,147**	**$1,324,090**

New Guaranteed Loans Disbursed

Dollars in Thousands

	2020 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	—	—
Total	—	—

Dollars in Thousands

	2019 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$193,113	$193,113
Total	**$193,113**	**$193,113**

Liability for Loan Guarantees (Present Value Method)

Dollars in Thousands

	2020 Liabilities For Post-1991 Guarantees, Present Value
Loan Guarantee Programs	
(3) Federal Ship Financing Fund (Title XI)	$192,888
(4) OST Minority Business Resource Center	105
Total	**$192,993**

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

Subsidy Expense for Loan Guarantees by Program and Component

Dollars in Thousands

	2020 Interest Supplements	Defaults	Fees And Other Collections	Other	Total
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	—	—	—	—	—
Total	—	—	—	—	—

Dollars in Thousands

	2019 Interest Supplements	Defaults	Fees And Other Collections	Other	Total
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$—	$30,962	$(12,422)	$—	$18,540
Total	**$—**	**$30,962**	**$(12,422)**	**$—**	**$18,540**

Modifications and Reestimates

Dollars in Thousands

	2020 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Loan Guarantee Programs				
(3) Federal Ship Financing Fund (Title XI)	$—	$—	$38,270	$38,270
(4) OST Minority Business Resource Center	—	—	181	181
Total	$—	$—	**$38,451**	**$38,451**

Total Loan Guarantee Subsidy Expense

Dollars in Thousands

	2020	2019
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$38,270	$64,857
(4) OST Minority Business Resource Center	181	126
Total	**$38,451**	**$64,983**

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS (continued)

Schedule For Reconciling Loan Guarantee Liability Balances Post-1991 Loan Guarantees

Dollars in Thousands	2020	2019
Beginning Balance, Changes, and Ending Balance		
Beginning Balance of the Loan Guarantee Liability	$156,859	$88,118
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	—	30,962
Fees and Other Collections	—	(12,422)
Total of the Above Subsidy Expense Components	**—**	**18,540**
Adjustments		
Fees Received	—	15,974
Claim Payments to Lenders	(301)	—
Interest Accumulation on the Liability Balance	1	(12,216)
Other	(2,017)	—
Ending Balance of the Loan Guaranteed Liability Before Reestimates	**154,542**	**110,416**
Add or Subtract Subsidy Reestimates by Component		
Technical/Default Reestimate	38,451	46,443
Total of the Above Reestimate Components	**38,451**	**46,443**
Ending Balance of the Loan Guarantee Liability	**$192,993**	**$156,859**

Defaulted Guarantee Loan Receivable

	2020
Guaranteed Loans receivable, gross - beginning of the year	$217,114
Loan Repayments Received	(12,949)
Other	244
Defaulted Guaranteed Loans receivable, Gross - end of year	**$204,409**

The Federal Ship Financing Fund (Title XI) upward technical reestimate was primarily the result of a reassessment of risk levels on high-risk loans.

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2020 is subject to future market and economic conditions. DOT continues to evaluate market risks in light of evolving economic conditions. The impact of such risks on DOT's portfolio reserves, if any, cannot be fully known at this time and could cause results to differ from estimates. Under the Federal Credit Reform Act, reserve reestimates are automatically covered by permanent indefinite budget authority, thereby providing DOT with sufficient resources to cover losses incurred without further Congressional action.

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2020 consists of the following:

Dollars in Thousands	Cost	Allowance For Loss	Net
Inventory			
Inventory Held for Current Sale	$264,586	$—	$264,586
Inventory Held for Repair	431,067	—	431,067
Other	39,833	—	39,833
Total Inventory	**735,486**	**—**	**735,486**
Operating Materials and Supplies			
Items Held for Use	259,628	(2,201)	257,427
Items Held in Reserve for Future Use	40,553	—	40,553
Excess, Obsolete and Unserviceable Items	4,097	(2,574)	1,523
Items Held for Repair	41,796	(19,522)	22,274
Total Operating Materials & Supplies	**346,074**	**(24,297)**	**321,777**
Total Inventory and Related Property			**$1,057,263**

Inventory and Related Property as of September 30, 2019 consists of the following:

Dollars in Thousands	Cost	Allowance For Loss	Net
Inventory			
Inventory Held for Current Sale	$254,582	$—	$254,582
Inventory Held for Repair	394,302	—	394,302
Other	41,664	—	41,664
Total Inventory	**690,548**	**—**	**690,548**
Operating Materials and Supplies			
Items Held for Use	255,004	(2,201)	252,803
Items Held in Reserve for Future Use	40,723	—	40,723
Excess, Obsolete and Unserviceable Items	4,728	(2,933)	1,795
Items Held for Repair	40,472	(18,861)	21,611
Total Operating Materials & Supplies	**340,927**	**(23,995)**	**316,932**
Total Inventory and Related Property			**$1,007,480**

Inventory is held for sale to the FAA field locations and other domestic entities and foreign governments and is classified as either held for sale, held for repair, or excess, obsolete, and unserviceable. Other inventory consists of raw materials and work in progress. Collectively, FAA's inventory is used to support our Nation's airspace system and is predominately located at the FAA Mike Monroney Aeronautical Center in Oklahoma City. Inventory that is deemed to be excess, obsolete and unserviceable is expected to have no net realizable value and a loss is recognized for the carrying amount. The carrying amount before identification as excess, obsolete and unserviceable inventory was $3.1 million in FY 2020 and $8.3 million in FY 2019.

Operating materials and supplies consist primarily of unissued materials and supplies to be used in the repair and maintenance of FAA-owned aircraft and to support the training vessels and day-to-day operations at the U.S. Merchant Marine Academy.

See Note 1H for additional information on DOT Accounting Policies related to Inventory and Related Property.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

General Property, Plant and Equipment as of September 30, 2020 consists of the following:

Dollars in Thousands	Service Life	Acquisition Value	Accumulated Depreciation Amortization	Book Value
Major Classes				
Land and Improvements	10-40	$100,272	$(2,440)	$97,832
Buildings and Structures	20-40	7,201,564	(4,169,587)	3,031,977
Furniture and Fixtures	7-10	439	(439)	—
Equipment	5-15	18,196,581	(13,141,228)	5,055,353
Internal Use Software	3-10	4,650,541	(2,476,472)	2,174,069
Assets Under Capital Lease	6-10	94,988	(52,039)	42,949
Leasehold Improvements	3	204,980	(150,179)	54,801
Aircraft	20	465,312	(386,636)	78,676
Ships and Vessels	15-25	1,958,295	(1,937,004)	21,291
Small Boats	10-18	29,614	(29,313)	301
Construction-in-Progress	N/A	1,882,879	—	1,882,879
Total		**$34,785,465**	**$(22,345,337)**	**$12,440,128**

	Net PPE
Balance Beginning of Year	$12,557,630
Capitalized Acquisitions	1,365,922
Dispositions	(76,071)
Revaluations	(55,165)
Other	(91,181)
Depreciation Expense	(1,261,007)
Balance End of Year	**$12,440,128**

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET (continued)

General Property, Plant and Equipment as of September 30, 2019 consists of the following:

Dollars in Thousands	Service Life	Acquisition Value	Accumulated Depreciation Amortization	Book Value
Major Classes				
Land and Improvements	10-40	$100,187	$(1,402)	$98,785
Buildings and Structures	20-40	6,973,525	(3,971,367)	3,002,158
Furniture and Fixtures	7-10	439	(439)	—
Equipment	5-15	18,526,424	(12,962,677)	5,563,747
Internal Use Software	3-10	4,220,420	(2,184,471)	2,035,949
Assets Under Capital Lease	6-10	103,000	(55,434)	47,566
Leasehold Improvements	3	199,601	(136,988)	62,613
Aircraft	20	515,252	(427,749)	87,503
Ships and Vessels	15-25	1,936,590	(1,929,395)	7,195
Small Boats	10-18	30,607	(29,203)	1,404
Construction-in-Progress	N/A	1,650,710	—	1,650,710
Total		**$34,256,755**	**$(21,699,125)**	**$12,557,630**

Construction-in-progress (CIP) primarily relates to national airspace assets, which are derived from centrally funded national systems development contracts, site preparation and testing, raw materials, and internal labor changes. The accumulation of costs to be capitalized for assets in Property, Plant and Equipment (PP&E) typically flow into and remain in the CIP account until the asset is ready for deployment and placed in service. Once placed in service, the asset balance is transferred from the CIP category to its respective asset category.

NOTE 9. STEWARDSHIP, PROPERTY, PLANT, AND EQUIPMENT

DOT has title to both personal and real property heritage assets.

PERSONAL PROPERTY HERITAGE ASSETS

Implied within the MARAD's mission is the promotion of the Nation's rich maritime heritage; including the collection, maintenance, and distribution of maritime artifacts removed from agency-owned ships prior to their disposal. As ships are assigned to a nonretention status, artifact items are collected, inventoried, photographed, and relocated to secure shoreside 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 National Service Foundation and other preservation societies. MARAD maintains a web-based inventory system that manages the artifact loan process. The program also supports the required National Historic Preservation Act processing prior to vessel disposal. Funding for the maintenance of heritage items is typically the responsibility of the organization requesting the loan of a heritage asset. 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 determined to be in excess of the needs of the collection, or destroyed while on loan. The following table shows the number of physical units added and withdrawn as of September 30, 2020.

	Units As Of 9/30/2019	Additions	Withdrawals	Units As Of 9/30/2020
Heritage Assets				
Personal Property				
Artifacts	713	2	(166)	549
Other Collections	6,139	62	(2)	6,199
Total Personal Property Heritage Assets	**6,852**	**64**	**(168)**	**6,748**

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, D.C. metropolitan area. 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.

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 MARAD 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 (NRC), 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 MARAD since FY 2006 have stabilized the ship and rehabilitated portions of its interior for workday 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.

MARAD also has 35 buildings that encircle the central quadrangle of the U.S. Merchant Marine Academy and the William S. Barstow house, which are listed on the National Register of Historic Places.

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources as of September 30, 2020 and 2019 consist of the following:

Dollars in Thousands	2020	2019
Intragovernmental		
Unfunded FECA Liability	$164,648	$170,393
Unfunded Employment Related Liability	34,010	26,966
Liability for Nonentity Assets	423,443	1,274,256
Other Liabilities	10,418	4,292
Total Intragovernmental	**632,519**	**1,475,907**
Federal Employee Benefits Payable	785,207	849,291
Environmental and Disposal Liabilities (Note 12)	786,591	909,020
Accrued Pay and Benefits	711,171	576,534
Legal Claims	58,454	11,567
Capital Lease Liabilities	51,348	57,482
Other Liabilities	19,031	36,362
Total Liabilities Not Covered by Budgetary Resources	**3,044,321**	**3,916,163**
Total Liabilities Covered by Budgetary Resources	35,120,160	31,662,466
Total Liabilities Not Requiring Budgetary Resources	23,187	29,013
Total Liabilities	**$38,187,668**	**$35,607,642**

Liabilities not covered by budgetary resources require future Congressional action whereas liabilities covered by budgetary resources reflect prior Congressional action. Regardless of when Congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Intragovernmental Liabilities are those liabilities that are with other Federal Government entities. The $0.4 billion and $1.3 billion of liability for nonentity assets for FY 2020 and FY 2019, respectively, are primarily related to downward loan subsidy reestimates. For consolidated financial statement presentation, DOT eliminates the payable to the nonentity fund and the general fund receivable from the financing funds; since both are included in DOT's financial statements. After the elimination, the downward reestimate payable to Treasury (Liability for Nonentity Asset) in the general fund receipt account remains on the Balance Sheet as a liability.

Liabilities Not Requiring Budgetary Resources are those liabilities for custodial collections that will not require the use of budgetary resources.

NOTE 11. DEBT

Debt activities during the fiscal year ended September 30, 2020 and 2019 consist of the following:

Dollars in Thousands	2019 Beginning Balance	2019 Net Borrowing	2019 Ending Balance	2020 Net Borrowing	2020 Ending Balance
Intragovernmental Debt					
Debt to the Treasury	$16,710,004	$4,046,043	$20,756,047	$(4,073,596)	$16,682,451
Debt to the Federal Financing Bank	—	—	—	325,528	325,528
Total Intragovernmental Debt	**$16,710,004**	**$4,046,043**	**$20,756,047**	**$(3,748,068)**	**$17,007,979**

As part of its credit reform program, DOT borrows from the U.S. Treasury and the Federal Financing Bank to fund certain transactions disbursed in its financing accounts. Borrowings are needed to fund the unsubsidized portion of anticipated loan disbursements and to transfer the credit subsidy related to downward reestimates from the financing account to the receipt account or when available cash is less than claim payments.

During FY 2020, DOT's U.S. Treasury borrowings carried interest rates ranging from 1.09 percent to 7.19 percent. The maturity dates for these borrowings occur from September 2021 to September 2059. Federal Financing Bank borrowings carried interest rates of 1.22 percent and 1.353 percent. The maturity dates for these borrowings occur in October 2043 and March 2044. Loans may be repaid in whole or in part without penalty at any time. Borrowings from the U.S. Treasury and the Federal Financing Bank are considered covered by budgetary resources, as no Congressional action is necessary to pay the debt.

NOTE 12. ENVIRONMENTAL AND DISPOSAL LIABILITIES

Environmental and Disposal Liabilities as of September 30, 2020 and 2019 were as follows:

Dollars in Thousands	2020	2019
Environmental Remediation	$354,214	$456,135
Asset Disposal	522,398	565,249
Total Environmental and Disposal Liabilities	**$876,612**	**$1,021,384**

ENVIRONMENTAL REMEDIATION

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 remediation of fuels, solvents, and other contamination associated with releases to the environment where DOT owns the property, leases the property, or is identified as a responsible party by a regulatory agency.

As of September 30, 2020 and 2019, DOT's environmental remediation liability primarily includes the removal of contaminants and remediation at various sites managed by the FAA and MARAD. To help manage the cleanup of the contaminated sites, FAA established and Environmental Cleanup Program that includes three service areas, which are responsible for oversight of the contaminated sites. The service area personnel use both actual costs and an automated, parametric cost-estimating tool that provides estimates for all phases of investigation and remediation to estimate the environmental remediation liability.

ASSET DISPOSAL

The FAA asset disposal liability is estimated using a combination of actual costs and project-specific cost proposals for certain targeted facilities. FAA uses the average decommissioning and cleanup costs of the targeted facilities as the cost basis for the other like facilities to arrive at the estimated liability for asset disposal.

NOTE 12. ENVIRONMENTAL AND DISPOSAL LIABILITIES (continued)

The National Maritime Heritage Act requires that MARAD dispose of certain merchant vessels owned by the U.S. Government, including nonretention ships in the fleet. Residual fuel, asbestos, and solid polychlorinated biphenyls (PCB) sometimes exist onboard MARAD's nonretention ships. Nonretention ships are those MARAD September vessels that no longer have a useful application and are pending disposition. The asset disposal liability as of September 30, 2020, includes the estimated cost of disposing 80 ships. In addition, DOT records an asset disposal liability for the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous materials when an asset is removed from service.

Estimating the Department's cost estimates for environmental cleanup and asset disposal liabilities requires making assumptions about future activities and is inherently uncertain. These liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

See Note 16 for contingent environmental liabilities.

NOTE 13. GRANT ACCRUAL

Grantees primarily include State and local governments and transit authorities. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid, by DOT. Due to the CARES Act appropriations received during FY 2020, DOT reports a significantly larger grant accrual related to the FAA and FTA grant programs (see Note 24).

Grant accruals by DOT Operating Administrations as of September 30, 2020 and 2019 were as follows:

Dollars in Thousands	2020	2019
Federal Highway Administration	$6,200,450	$5,888,871
Federal Transit Administration	4,207,520	1,884,167
Federal Aviation Administration	5,161,060	743,268
Other Operating Administrations	222,933	148,799
Total Grant Accrual	**$15,791,963**	**$8,665,105**

NOTE 14. OTHER LIABILITIES

Other Liabilities as of September 30, 2020 consist of the following:

Dollars in Thousands	Non-Current	Current	Total
Intragovernmental			
Advances and Prepayments	$—	$515,607	$515,607
Accrued Pay and Benefits	—	119,453	119,453
FECA Billings	89,337	75,692	165,029
Liability for Nonentity Assets	—	423,443	423,443
Other Accrued Liabilities	—	67,613	67,613
Total Intragovernmental	**$89,337**	**$1,201,808**	**$1,291,145**
Public			
Advances and Prepayments	$—	$289,226	$289,226
Accrued Pay and Benefits	40,778	1,041,467	1,082,245
Deferred Credits	—	103,181	103,181
Legal Claims (Note 16)	—	58,454	58,454
Capital Leases (Note 15)	43,305	8,043	51,348
Other Accrued Liabilities	—	40,896	40,896
Total Public	**$84,083**	**$1,541,267**	**$1,625,350**

Other Liabilities as of September 30, 2019 consist of the following:

Dollars in Thousands	Non-Current	Current	Total
Intragovernmental			
Advances and Prepayments	$—	$552,439	$552,439
Accrued Pay and Benefits	—	91,812	91,812
FECA Billings	92,355	78,240	170,595
Liability for Nonentity Assets	—	1,274,256	1,274,256
Other Accrued Liabilities	196	60,270	60,466
Total Intragovernmental	**$92,551**	**$2,057,017**	**$2,149,568**
Public			
Advances and Prepayments	$—	$269,148	$269,148
Accrued Pay and Benefits	38,177	847,872	886,049
Deferred Credits	—	111,302	111,302
Legal Claims (Note 16)	—	11,567	11,567
Capital Leases (Note 15)	49,029	8,453	57,482
Other Accrued Liabilities	—	58,190	58,190
Total Public	**$87,206**	**$1,306,532**	**$1,393,738**

NOTE 15. LEASES

CAPITAL LEASES

As of September 30, 2020 and 2019, capital leases were comprised of the following:

Dollars in Thousands	2020	2019
Summary of Assets Under Capital Lease by Category		
Land, Buildings & Machinery	$94,988	$103,000
Accumulated Amortization	(52,039)	(55,434)
Net Assets Under Capital Lease	**$42,949**	**$47,566**

As of September 30, 2020, all assets were under non-Federal capital lease.

As of September 30, 2020, DOT's future payments due on assets under capital lease were:

Fiscal Year	Dollars in Thousands
Future Payments Due	
FY 2021	$8,043
FY 2022	8,059
FY 2023	8,038
FY 2024	7,891
FY 2025	7,238
FY 2026+	21,594
Total Future Lease Payments	**60,863**
Less: Imputed Interest	9,515
Net Capital Lease Liability	**51,348**

As of September 30, 2020, all future payments due on assets under capital lease were non-Federal.

The capital lease payments disclosed in the preceding table relate to FAA and are authorized to be funded annually as codified in U.S.C. 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. DOT's capital leases contain terms expiring at various dates through FY 2039.

NOTE 15. LEASES (continued)

OPERATING LEASES

DOT has operating leases for real property, aircraft, telecommunications equipment, and vehicles. Operating lease expenses incurred were $296 million and $312 million for the years ended September 30, 2020 and 2019, respectively. For FY 2020, the Federal operating lease expense incurred was $204.9 million and the non-Federal operating lease expense incurred was $91.1 million. For FY 2019, the Federal operating lease expense incurred was $201.7 million and the non-Federal operating lease expense incurred was $110.3 million. General Services Administration (GSA) leases include terms with a short termination privilege. However, DOT intends to remain in the leases. DOT's operating leases carry terms expiring at various dates ranging from 2021 to 2053. Any estimates of lease termination dates would be subjective, and any projection of future lease payments would be arbitrary.

As of September 30, 2020, DOT's future payments due on assets under operating lease were:

Dollars in Thousands	Land, Buildings, Machinery & Other	
	Federal	Non-Federal
Fiscal Year		
Future Payments Due		
FY 2021	$197,523	$87,734
FY 2022	200,800	74,997
FY 2023	196,081	66,555
FY 2024	189,007	37,681
FY 2025	182,402	26,523
FY 2026+	981,219	93,183
Total Future Lease Payments	**$1,947,032**	**$386,673**

The operating lease amounts due after five years do not include estimated payments for leases with annual renewal options.

NOTE 16. COMMITMENTS AND CONTINGENCIES

As of September 30, 2020 and 2019, DOT's contingent liabilities, in excess of amounts accrued (Note 14), for asserted and pending legal claims are as follows:

2020	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
Legal Contingencies			
Probable	$58,454	$ 58,445	$ 59,195
Reasonably Possible		254,912	619,357

2019	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
Legal Contingencies			
Probable	$11,567	$11,567	$12,544
Reasonably Possible		324,070	604,270

DOT does not have material amounts of known unasserted claims.

GRANT PROGRAMS

Advance construction is a technique which allows a State to initiate a project using non-Federal funds while preserving eligibility for future Federal-aid funds. FHWA has authority to approve projects using advance construction under 23 U.S.C. 115(a) and 23 CFR 630.701–630.709. 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. The State may submit a written request to the FHWA that a project be converted to a regular Federal-aid project at any time provided that sufficient Federal-aid funds and obligation authority are available. The State also retains discretion to fund a project that was authorized for advanced construction without any Federal funds or with less than the maximum Federal share. As of September 30, 2020 and 2019, FHWA has $68.7 billion and $66.8 billion, respectively, of advanced construction authorizations that could be converted to Federal obligations, subject to the availability of funds. These authorizations have not been recognized in the DOT consolidated financial statements at September 30, 2020 and 2019.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment Grants Program under 49 U.S.C. 5309(k)(2), FAST Act § 3005(b)(2), and similar provisions in earlier surface transportation acts. The FFGAs authorize transit authorities to incur costs with their own funds in advance of Federal funds being made available. As of September 30, 2020 and September 30, 2019, FTA had funding commitments in FFGAs totaling $8.0 billion and $5.6 billion, respectively, which had not been obligated. FTA includes information about these commitments in its budget submissions and annual funding recommendations report to Congress. There is no liability related to these commitments reflected in the DOT consolidated financial statements at September 30, 2020.

FAA's Airport Improvement Program (AIP) provides grants for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. FAA has authority under 49 U.S.C. 47110(e) to issue letters of intent to enter into a series of annual AIP grant agreements. A letter of intent is neither an obligation nor an administrative commitment of funds. FAA records an obligation when a grant is awarded. As of September 30, 2020 and 2019, FAA has letters of intent totaling $0.3 billion and $0.4 billion, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2020 and 2019.

ENVIRONMENTAL LIABILITIES

As of September 30, 2020 and 2019, DOT environmental contingencies include environmental remediation, and environmental clean-up and decommissioning. An accrued liability is recognized for environmental contingencies where the loss is probable and the amount can be reasonably estimated. For environmental contingencies where the loss is reasonably possible, a liability is not recognized, however, the estimated range of loss is disclosed in the following table. The FAA is a party to environmental remediation sites in Alaska, the Pacific Islands, and New Jersey in which the extent of liability is not both probable and reasonably estimable. As a result, a liability is not recognized for these sites without further studies and negotiations with other federal agencies.

NOTE 16. COMMITMENTS AND CONTINGENCIES (continued)

2020	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
Environmental Contingencies			
Probable	$876,612	$876,612	$876,612
Reasonably Possible		103,145	103,145

2019	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
Environmental Contingencies			
Probable	$1,021,384	$1,021,384	$1,021,384
Reasonably Possible		122,122	122,122

AVIATION INSURANCE PROGRAM

The FAA provides non-premium war risk insurance for certain U.S. Government contracted operations as permitted by 49 U.S.C. 44305. Coverage is provided without premium to air carriers at the written request of other U.S. Government agencies. The scope of coverage under the Non-Premium War Risk Insurance program includes hull, bodily injury, personal injury, and property damage. The FAA is currently providing coverage for certain U.S. Department of Defense (DOD) contracted air carrier operations.

Because insurance policies are issued only at the request of other Federal departments and agencies, total coverage-in-force fluctuates throughout the fiscal year. The coverage-in-force at any given point in time does not represent a potential liability against the Aviation Insurance Revolving Fund because the Secretary of Defense has entered into an indemnity agreement with the Secretary of Transportation and will fully reimburse the Fund for all losses paid by the FAA on behalf of DOD.

MARINE WAR RISK INSURANCE PROGRAM

MARAD is authorized to issue hull and liability insurance under the Marine War Risk Insurance Program for vessel operations for which commercial insurance is not available on reasonable terms and conditions, when the vessel is considered to be in the interest of national defense or national economy of the United States. MARAD may issue (1) premium-based insurance for which a risk based premium is charged and (2) nonpremium insurance for vessels under charter operations for the Military Sealift Command.

Additional commitments are discussed in Note 6 Direct Loans and Loan Guarantees, Non-Federal Borrowers, and Note 15 Leases.

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS

DOT administers certain dedicated collections, which are specifically identified revenues, often supplemented by other financing sources, that remain available over time. Descriptions of the significant dedicated collections related to these accounts are as follows:

HIGHWAY TRUST FUND

The HTF was created 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. The Highway Revenue Act of 1982 established two accounts within the HTF, the Highway Account and the Mass Transit Account. The HTF consists of the Highway Corpus Trust Fund and certain accounts of FHWA, FMCSA, FRA, FTA, and NHTSA. The HTF's programs and activities are primarily financed from excise taxes collected on specific motor fuels, truck taxes, and fines and penalties.

AIRPORT AND AIRWAY TRUST FUND

The 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.

Funding currently comes from several aviation-related excise tax collections from passenger tickets, passenger flight segments, international arrivals/departures, cargo waybills, and aviation fuels.

MASS TRANSIT ACCOUNT

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation (P.L. 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 funds from dedicated collections for which DOT has program management responsibility.

OTHER DEDICATED COLLECTIONS

- Aviation Insurance Revolving Fund
- Pipeline Safety
- Emergency Preparedness Grant
- Aviation User Fees
- Aviation Operations
- Grants-in-Aid for Airports
- Aviation Facilities and Equipment
- Aviation Research, Engineering and Development
- Essential Air Service and Rural Airport Improvement Fund
- Contributions for Highway Research Program
- Cooperative Work, Forest Highways
- Payment to Air Carriers
- Technical Assistance, United States Dollars Advanced from Foreign Governments
- Gifts and Bequests, Maritime Administration
- Special Studies, Services and Projects
- Equipment, Supplies, etc., for Cooperating Countries
- War-Risk Insurance Revolving Fund
- International Highway Transportation Outreach Program
- Trust Fund Share of Pipeline Safety
- National Surface Transportation and Innovative Finance Bureau
- Advances from State Cooperating Agencies, Foreign Governments, and Other Federal Agencies

For the periods ended September 30, 2020 and 2019, respectively, funds from dedicated collections are summarized in the following charts. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity. Similarly, the combined presentation does not eliminate intra-entity balances or transactions with non-dedicated collections. In addition, this note presents only the funds from dedicated collections that are financing sources available for future expenses, and funds that have been expended but have not yet achieved their designated purpose, such as construction in progress. As such, PP&E that has been placed in service, that was funded from dedicated collections, are excluded from this note; these funds are no longer available for future expenditure and have been used for their intended purpose.

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS (continued)

FISCAL YEAR 2020

Dollars in Thousands	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections
Balance Sheet					*As of September 30, 2020*
Intragovernmental					
Assets					
Fund Balance With Treasury	$5,390,717	$(124,690)	$34,274	$10,098,836	$15,399,137
Investments, Net	12,080,824	7,934,830	—	2,375,215	22,390,869
Accounts Receivable, Net	62,314,535	—	(17)	6,801,910	69,116,428
Advances and Prepayments	124,448	—	—	221,343	345,791
Total Intragovernmental	**79,910,524**	**7,810,140**	**34,257**	**19,497,304**	**107,252,225**
Accounts Receivable, Net	13,594	—	—	27,833	41,427
Property, Plant & Equipment	221,424	—	—	2,786,072	3,007,496
Advances, Prepayments, and Other Assets	1,051	—	—	941	1,992
Total Assets	**$80,146,593**	**$7,810,140**	**$34,257**	**$22,312,150**	**$110,303,140**
Liabilities and Net Position					
Intragovernmental					
Accounts Payable	$62,293,631	$5,967,944	—	$1,202,913	$69,464,488
Other Liabilities	141,699	—	—	311,702	453,401
Total Intragovernmental	**62,435,330**	**$5,967,944**	**—**	**1,514,615**	**69,917,889**
Accounts Payable	31,011	—	—	388,295	419,306
Federal Employee Benefits Payable	14,952	—	—	727,770	742,722
Grant Accrual	7,787,493	—	1,098	5,161,060	12,949,651
Other Liabilities	185,101	—	1,444	1,230,175	1,416,720
Total Liabilities	**$70,453,887**	**$5,967,944**	**$2,542**	**$9,021,915**	**$85,446,288**
Unexpended Appropriations	—	—	550	489,059	489,609
Cumulative Results of Operations	9,692,706	1,842,196	31,165	12,801,176	24,367,243
Total Liabilities and Net Position	**$80,146,593**	**$7,810,140**	**$34,257**	**$22,312,150**	**$110,303,140**
Statement of Net Cost					*For the period ended September 30, 2020*
Program Costs	$58,697,165	—	$15,264	$23,628,815	$82,341,244
Less Earned Revenue	266,109	14	—	567,667	833,790
Net Program Costs	**58,431,056**	**(14)**	**15,264**	**23,061,148**	**81,507,454**
Net Cost of Operations	**$58,431,056**	**(14)**	**$15,264**	**$23,061,148**	**81,507,454**
Statement of Changes in Net Position					*For the period ended September 30, 2020*
Beginning Net Position	$25,434,113	$9,391,754	$46,979	$10,763,837	$45,636,683
Budgetary Financing Sources	42,657,241	(7,549,572)	—	27,450,897	62,558,566
Other Financing Sources	32,408	—	—	(1,863,351)	(1,830,943)
Net Cost of Operations	58,431,056	(14)	15,264	23,061,148	81,507,454
Change in Net Position	(15,741,407)	(7,549,558)	(15,264)	2,526,398	(20,779,831)
Net Position End of Period	**$9,692,706**	**$1,842,196**	**$31,715**	**$13,290,235**	**$24,856,852**

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS (continued)

FISCAL YEAR 2019

Dollars in Thousands	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections
Balance Sheet					*As of September 30, 2019*
Intragovernmental					
Assets					
Fund Balance With Treasury	$4,702,895	$1,017,491	$49,075	$2,335,915	$8,105,376
Investments, Net	28,192,343	15,110,199	—	2,339,801	45,642,343
Accounts Receivable, Net	61,066,054	—	(17)	7,409,045	68,475,082
Advances and Prepayments	149,573	—	—	222,895	372,468
Total Intragovernmental	**94,110,865**	**16,127,690**	**49,058**	**12,307,656**	**122,595,269**
Accounts Receivable, Net	23,897	—	824	44,253	68,974
Property, Plant & Equipment	200,591	—	—	2,319,624	2,520,215
Advances, Prepayments, and Other Assets	3,314	—	—	417	3,731
Total Assets	**$94,338,667**	**$16,127,690**	**$49,882**	**$14,671,950**	**$125,188,189**
Liabilities and Net Position					
Intragovernmental					
Accounts Payable	$61,051,487	$6,735,936	—	$663,861	$68,451,284
Other Liabilities	169,136	—	—	280,529	449,665
Total Intragovernmental	**61,220,623**	**$6,735,936**	**—**	**944,390**	**68,900,949**
Accounts Payable	31,308	—	—	422,309	453,617
Federal Employee Benefits Payable	16,269	—	—	788,230	804,499
Grant Accrual	7,466,183	—	1,458	743,268	8,210,909
Other Liabilities	170,171	—	1,445	1,009,916	1,181,532
Total Liabilities	**$68,904,554**	**$6,735,936**	**$2,903**	**$3,908,113**	**$79,551,506**
Unexpended Appropriations	—	—	571	734,250	734,821
Cumulative Results of Operations	25,434,113	9,391,754	46,408	10,029,587	44,901,862
Total Liabilities and Net Position	**$94,338,667**	**$16,127,690**	**$49,882**	**$14,671,950**	**$125,188,189**
Statement of Net Cost					*For the period ended September 30, 2019*
Program Costs	$57,146,737	—	$7,816	$16,462,590	73,617,143
Less Earned Revenue	260,216	12	(17)	702,946	963,157
Net Program Costs	**56,886,521**	**(12)**	**7,833**	**15,759,644**	**72,653,986**
Net Cost of Operations	**56,886,521**	**(12)**	**$7,833**	**15,759,644**	**$72,653,986**
Statement of Changes in Net Position					*For the period ended September 30, 2019*
Beginning Net Position	$37,751,913	$9,223,581	$101,372	$10,578,774	$57,655,640
Budgetary Financing Sources	44,529,184	168,161	(46,560)	16,769,771	61,420,556
Other Financing Sources	39,537	—	—	(825,064)	(785,527)
Net Cost of Operations	56,886,521	(12)	7,833	15,759,644	72,653,986
Change in Net Position	(12,317,800)	168,173	(54,393)	185,063	(12,018,957)
Net Position End of Period	**$25,434,113**	**$9,391,754**	**$46,979**	**$10,763,837**	**$45,636,683**

NOTE 18. EXCISE TAXES AND OTHER NONEXCHANGE REVENUE

The IRS collects various excise taxes that are deposited into the HTF and AATF. The U.S. Treasury Office, Office of Tax Analysis (OTA) distributes the amount collected/revenue recognized bimonthly and adjusts the allocations to reflect actual collections quarterly. The IRS submits certificates of actual tax collections to DOT four months after the quarter end. During FY 2020, the DOT financial statements include actual excise tax revenue certified through March 31, 2020, and excise tax revenue allocated by OTA for the quarters ended June 30, 2020 and September 30, 2020. As a result, total taxes recognized in the DOT FY 2020 financial statements include the OTA allocation of $8.3 billion for the quarter ended June 30, 2020 and $13.1 billion for the quarter ended September 30, 2020, and the actual amounts certified through March 31, 2020 of $28 billion.

Due to tax holidays on excise taxes granted by the Federal Government due to the COVID-19 Pandemic, AATF Nonexchange Revenue reported by DOT is significantly less than the prior year. (See Note 24)

For the years ended September 30, 2020 and 2019, respectively, excise taxes and associated nonexchange revenue, which are reported on the Consolidated Statements of Changes in Net Position, are as follows.

NONEXCHANGE REVENUE

For the periods ended September 30, 2020 and 2019

Dollars in Thousands	2020	2019
Highway Trust Fund		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	$25,727,029	$26,450,616
Diesel and Special Motor Fuels	11,058,175	11,246,501
Trucks	6,921,259	7,149,411
Investment Income	193,147	843,330
Fines and Penalties	483	97,614
Total Taxes	**43,900,093**	**45,787,472**
Less: Transfers	(1,049,951)	(1,272,383)
Other Nonexchange Revenue	130,159	1,828
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	**42,980,301**	**44,516,917**
Federal Aviation Administration		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	$6,497,251	10,365,106
International Departure	1,847,102	4,281,268
Fuel (Air)	389,859	695,039
Waybill	300,478	650,374
Investment Income	329,846	366,824
Tax Refunds and Credits	(18,951)	(15,800)
Other	2,526	3,100
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	**9,348,111**	**16,345,911**
Other Miscellaneous Net Nonexchange Revenue	40,966	54,689
Total Nonexchange Revenue	**$52,369,378**	**$60,917,517**

NOTE 19. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Dollars in Thousands	2020	2019
Available Contract Authority at Year-End	$16,108,544	$16,063,121

Dollars in Thousands	2020		2019	
	Federal	Non-Federal	Federal	Non-Federal
Undelivered Orders at Year-End, unpaid	$1,019,698	$125,262,414	$1,005,820	$110,637,498
Undelivered Orders at Year-End, paid	$437,830	$1,354,964	$483,146	$918,993

BORROWING AUTHORITY, END OF PERIOD AND TERMS OF BORROWING AUTHORITY USED

DOT had $4.5 billion and $3.3 billion in borrowing authority in FY 2020 and FY 2019, respectively. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990, and is used to finance obligations during the current year, as needed. Under the provisions of the Federal Credit Reform Act of 1990, DOT's direct loan and loan guarantee programs are authorized to borrow funds from Treasury to support its credit programs. All loan drawdowns 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 reestimates.

EXISTENCE, PURPOSE, AND AVAILABILITY OF PERMANENT INDEFINITE APPROPRIATIONS

DOT has permanent indefinite budgetary authority for use in their credit programs that is provided from, and more details are available in, the Federal Credit Reform Act of 1990. This funding is available for reestimates and interest on reestimates. DOT's credit programs are explained in detail in Note 6.

LEGAL ARRANGEMENTS AFFECTING THE USE OF OBLIGATED BALANCES

Unobligated balances remain legally available for obligation when the funds are apportioned by the OMB and the period of availability is unexpired. Unobligated balances are not available when the funds are not yet apportioned or the period of availability is expired. Unobligated balances of expired accounts are not available to fund new obligations, but they can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period.

Aviation insurance investments and marine war risk insurance investments are not available for obligation until authorized, for example, in the event of a major air carrier loss or vessel operations loss caused by a war risk occurrence.

UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

The unobligated balance from prior year budget authority is presented net of transfers, recoveries from prior year obligations, and balances withdrawn for cancelled authority. As a result, the amount will not equal the prior year unobligated balance, end of year total.

STATEMENT OF BUDGETARY RESOURCES VS. BUDGET OF THE UNITED STATES GOVERNMENT

The reconciliation for the year ended September 30, 2019, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2020, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2022, which presents the execution of the FY 2020 budget, occurs after publication of these financial statements. The DOT Budget Appendix can be found on the OMB website and will be available in early February 2021.

NOTE 19. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (continued)

Dollars in Millions	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$163,137	$102,442	$(1,245)	$85,844
Funds Not Reported in the Budget				
Expired Funds	(268)	—	—	—
TIFIA Reassignment	—	(437)	—	
Other	(1)	(5)	(2)	7
Budget of the United States Government	**$162,868**	**$102,000**	**$(1,247)**	**$85,851**

The $437 million difference in obligations reported is attributed to the amount of obligations for downward reestimates and interest on downward reestimates in the TIFIA financing account. This amount was inadvertently excluded from Budget of the United States Government. The TIFIA financing account amount was correctly reported in the Department's Statement of Budgetary Resources and GTAS as of September 30, 2019. This difference occurred as result of OMB making adjustments to the account at the end of the budget process, after the point at which agencies were able to make additional adjustments.

The adjustments were an inadvertent error that occurred on the part of OMB during the reassignment of TIFIA accounts from FHWA to OST. OMB concurs that the amount should have been included in the Budget of the United States Government.

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 Government.

NOTE 20. CUSTODIAL ACTIVITY

Cash collections that are “custodial” are not revenue to the DOT, but are collected on behalf of other Federal entities or funds. Custodial collections are considered to be incidental to the DOT's operations. The following table presents custodial collections and the disposition of those collections for the years ended September 30, 2020 and 2019:

REVENUE ACTIVITY

Dollars in Thousands	2020	2019
Sources of Cash Collections		
Miscellaneous Receipts	$34,023	$34,897
User Fees	127	203
Fines, Penalties and Forfeitures	137,453	32,678
Total Cash Collections	**171,603**	**67,778**
Accrual Adjustment	13,976	(6,667)
Total Custodial Revenue	**185,579**	**61,111**
Disposition of Collections		
Transferred to Treasury's General Fund	64,622	67,778
Transferred to Highway Trust Fund	106,981	—
Increase (Decrease) in Amounts to be Transferred	13,976	(6,667)
Net Custodial Activity	**$—**	**$—**

NOTE 21. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary outlays and non-budgetary resources available to the reporting entity with its net cost of operations. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

In FY 2020 OMB Circular A-136 guidance changed the presentation of the reconciliation of net cost to net outlays from FY 2019 for loans receivables under Federal Credit Reform Act (FCRA). Net cost should be reconciled to net outlays, which should exclude financing account activity. Net outlays represent net budgetary outlays and do not include net disbursements of credit financing accounts. The change in FCRA loan receivables should not be reflected as a reconciling item due to credit programs affecting net cost and net outlays via the subsidy cost.

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

- The acquisition of capital assets results in outlays, but does not result in costs. Rather, the costs are recognized over the useful lives of the assets as depreciation expense. To reconcile this difference, depreciation is a component of net operating cost, but not part of net outlays; and the acquisition of capital assets is a component of net outlays, but not part of net operating cost.
- The grant accrual results in costs, but does not result in outlays. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid by DOT which is a component of net operating costs, but not part of net outlays.
- The effects of the prior year subsidy cost re-estimate does not impact the current year net cost of operations, but is part of the net outlays in the current year to reflect the budgetary outlay to the general fund receipt account.

Although some differences presented in the reconciliation relate to amounts reported in the balance sheet and statement of net position, the amounts may not tie. Certain financial activities do not result in net operating cost, nor net outlays, and are therefore excluded from the reconciliation. For example, the purchase of investments results in a change in assets on the balance sheet, but does not result in net operating cost nor net outlays. In addition, intradepartmental transactions and balances have been eliminated from the balance sheet for presentation on a consolidated basis, however, intradepartmental transactions and balances have not been eliminated on the reconciliation for the accounts receivable and related liability and transfer activity related to credit reform upward and downward reestimates. The reciprocating elimination activity is included in the credit financing accounts which have been excluded from the reconciliation.

NOTE 21. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS (continued)

For the year ended September 30, 2020

Dollars in Thousands	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	**$2,949,715**	**$105,715,499**	**$108,665,214**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	—	(1,261,007)	(1,261,007)
Property, Plant, and Equipment and Other Assets Disposal & Reevaluation	—	(100,758)	(100,758)
Year-end Credit Reform Subsidy Re-estimates	244,087	—	244,087
Other	(1,021)	70,479	69,458
Increase/(Decrease) in Assets			
Accounts Receivable	(870,226)	(11,892)	(882,118)
Advances, Prepayments and Other Assets	(46,977)	435,861	388,884
Investments	9,631	—	9,631
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	701	(1,015)	(314)
Federal Employee Benefits Payable	—	64,084	64,084
Environmental and Disposal Liabilities	—	144,772	144,772
Grant Accrual	—	(7,126,858)	(7,126,858)
Other Liabilities	542,812	(248,583)	294,229
Other Financing Sources			
Imputed Financing Costs Absorbed by Others	(424,364)	—	(424,364)
Other	—	(83)	(83)
Transfers out (in) Without Reimbursement	(267,570)	—	(267,570)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(812,927)**	**(8,035,000)**	**(8,847,927)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Effect of Prior Year Credit Reform Subsidy Re-estimate	(1,092,233)	—	(1,092,233)
Acquisition of Capital Assets	51,389	1,279,048	1,330,437
Acquisition of Inventory	(1)	71,572	71,571
Other	257,773	(77,814)	179,959
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**(783,072)**	**1,272,806**	**489,734**
Net Outlays	**$1,353,716**	**$98,953,305**	**$100,307,021**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			**112,108,737**
Distributed Offsetting Receipts			(11,801,716)
Agency Outlays, Net			**$100,307,021**

NOTE 21. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS (continued)

For the year ended September 30, 2019

Dollars in Thousands	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	**$2,832,016**	**$79,255,847**	**$82,087,863**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	—	(1,549,461)	(1,549,461)
Property, Plant, and Equipment and Other Assets Disposal & Reevaluation	—	(253,284)	(253,284)
Year-end Credit Reform Subsidy Re-estimates	1,257,319	—	1,257,319
Other	(407)	92,885	92,478
Increase/(Decrease) in Assets			
Accounts Receivable	709,010	15,207	724,217
Advances, Prepayments and Other Assets	828	(503,809)	(502,981)
Investments	5,362	—	5,362
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	(2,541)	23,840	21,299
Federal Employee Benefits Payable	—	19,796	19,796
Environmental and Disposal Liabilities	—	80,924	80,924
Grant Accrual	—	(865,308)	(865,308)
Other Liabilities	(738,732)	61,111	(677,621)
Other Financing Sources			
Imputed Financing Costs Absorbed by Others	(529,040)	—	(529,040)
Other	66	—	66
Transfers out (in) Without Reimbursement	(1,283,016)	—	(1,283,016)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(581,151)**	**(2,878,099)**	**(3,459,250)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Effect of Prior Year Credit Reform Subsidy Re-estimate	(494,011)	—	(494,011)
Acquisition of Capital Assets	59,618	1,406,641	1,466,259
Acquisition of Inventory	1	84,135	84,136
Acquisition of Other Assets	—	2,429	2,429
Other	1,242,967	(252,290)	990,677
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**808,575**	**1,240,915**	**2,049,490**
Net Outlays	**$3,059,440**	**$77,618,663**	**$80,678,103**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			**81,922,918**
Distributed Offsetting Receipts			(1,244,815)
Agency Outlays, Net			**$80,678,103**

NOTE 22. 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 allows 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.

SCHEDULE OF FIDUCIARY ACTIVITY

For the years ended September 30, 2020 and 2019

Dollars in Thousands	2020	2019
Fiduciary Net Assets, Beginning of Year	$27,009	$10,592
Contributions	341	193,861
Investment Earnings	—	256
Disbursements to and on Behalf of Beneficiaries	(20,531)	(177,700)
Increases/(Decreases) in Fiduciary Net Assets	(20,190)	16,417
Fiduciary Net Assets, End of Year	**$6,819**	**$27,009**

FIDUCIARY NET ASSETS

As of September 30, 2020 and 2019

Dollars in Thousands	2020	2019
Fiduciary Fund Balance With Treasury	$1,061	$5,463
Investments in Treasury Securities	5,758	21,546
Total Fiduciary Net Assets	**$6,819**	**$27,009**

NOTE 23. DISCLOSURE ENTITIES

Amtrak is a private, for-profit corporation under 49 U.S.C. § 24301 and District of Columbia law and is not a department, agency, or instrumentality of the federal government. Amtrak is governed by an independent Board of Directors comprised of 10 directors. The Secretary of Transportation (Secretary), who is a director by statute, and 8 of the other Amtrak directors, are appointed by the U.S. President with the advice and consent of the Senate. The President of Amtrak also is a board member and is appointed by the Board. Amtrak provides intercity passenger railroad service as a transportation alternative to highway, bus, passenger car, and airline services in certain markets, in addition to serving as a contractor in various capacities for several commuter rail agencies. Amtrak's mission is to deliver intercity transportation with superior safety, customer service and financial excellence, which is directly tied to the statutorily defined mission of Amtrak "to provide efficient and effective intercity passenger rail mobility consisting of high quality service that is trip-time competitive with other intercity travel options and that is consistent with the goals set forth in [49 U.S.C. § 24101(c)]." 49 U.S.C. § 24101(b). As a private, for-profit organization, Amtrak does not take actions on behalf of the federal government but benefits the national economy by providing a transportation option in 46 states and the District of Columbia. Key financial indicators are revenue growth and targeted decrease in adjusted operating earnings, which are reviewed on a regular basis (monthly/quarterly/annually) and compared with the comparable period in the prior year to show trends. Amtrak publishes annual audited financial statements and monthly unaudited performance reports. These documents are available on Amtrak's website.

The federal government (through the Department of Transportation) owns 100% of Amtrak's preferred stock (109,396,994 shares of $100 par value). The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock (see Section 415(c), Pub. L. 105-134, 111 Stat. 2590 (December 2, 1997)). The Act also eliminated further issuance of preferred stock to the Department. Each share of preferred stock is convertible into 10 shares of common stock. Four common stockholders (private sector corporations) own 9,385,694 shares of $10 par value common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events." Although Section 4.02(g) of the Amtrak Articles of Incorporation allow for the conversion of preferred stock to common stock, the government would not convert its holdings without Congressional authorization. Section 4.02(g) of the Amtrak Articles of Incorporation does not limit the timing of conversion, or require any preapprovals. Conversion is effective the business day following receipt of written notice of the holder's election to convert. The Department does not recognize the Amtrak preferred stock in its financial statements because, under the Corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears. In addition to the purchase/ownership of the Amtrak preferred stock, the Department has provided funding to Amtrak, since 1972, primarily through grants and loans.

Amtrak receives grants from DOT, through the Federal Railroad Administration (FRA), that cover a portion of the corporation's annual operating expenses and capital investments. Funding provided to Amtrak through grant agreements are included in DOT's annual budget and the DOT financial statements. For the period ended September 30, 2020, net costs related to Amtrak grants were $2.6 billion, total budgetary outlays were $3 billion, and the remaining undelivered order balance for Amtrak is $1.4 billion. For the period ended September 30, 2019, net costs related to Amtrak grants were $2.4 billion, total budgetary outlays were $1.9 billion, and the remaining undelivered order balance for Amtrak is $0.97 billion.

In 2016, DOT entered into a loan agreement with Amtrak under the Railroad Rehabilitation and Improvement Financing (RRIF) program (2016 RRIF loan). The amount of the loan is $2,450,000,000. The final maturity of the loan is the earlier of (a) twenty-nine (29) years from the date of the first disbursement under the financing agreement and (b) September 15, 2045. The interest rate is 2.23% and the credit risk premium, payable pro rata at each disbursement, is 5.80% or $142,100,000. Amtrak is required to maintain funds in a dedicated debt service reserve account at amounts specified in the loan agreement. The loan shall be disbursed solely to pay directly for or to reimburse Amtrak for its prior payment of allowable costs incurred in connection with project elements.

In each fiscal year for which Amtrak draws down funds under its 2016 RRIF loan and/or makes repayments towards the loan, the Department records amounts paid out to Amtrak and amounts Amtrak repays to the Department in its financial system. The RRIF loan is accounted for in accordance with SFFAS 2 (see Note 6). As of September 30, 2020 and September 30, 2019, the undelivered order balance of the RRIF loan is $1.9 billion and the amount disbursed is $557 million.

In addition, to the grants and loans provided to Amtrak, the Department has possession of two long-term notes with Amtrak. The first note is for $4 billion and matures in 2975 and, the second note is for $1.1 billion and matures in 2082 with renewable 99-year terms. Interest is not accruing on these notes as long as the current financial structure of Amtrak remains unchanged. If the financial structure of Amtrak changes, both principal and accrued interest are due and payable. The Department does not recognize the long-term notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms and Amtrak's history of operating losses.

NOTE 23. DISCLOSURE ENTITIES (continued)

In the event of an Amtrak bankruptcy, the federal government would be at risk of financial loss as a result of longstanding debt and the 2016 RRIF loan. However, such risk of loss is limited given that each of these debts is secured with real property and/or equipment. In general, the federal government's losses in a bankruptcy would be offset by the value of the collateral. The risk of loss and delay in full and timely payments due to bankruptcy are part of most credit relationships, and are not unique to the federal government/ Amtrak credit relationship.

NOTE 24. COVID-19 ACTIVITY

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) was signed into law by President Trump on March 27, 2020. DOT received $36 billion of FY 2020 of supplemental appropriations to prevent, prepare for, or respond to COVID-19. Several DOT programs received general fund appropriations in support of maintaining and continuing the operations and business needs of various transportation systems in response to the coronavirus. FTA received $25 billion in the Transit Infrastructure Grants program to be allocated to recipients of urbanized and rural area formula funds to support capital, operating, and other expenses of public transit transportation. FAA received $10 billion in Grants-In-Aid for Airports. FAA Airport grants can be used for airport capital expenditures and airport operating expenses such as payroll, utilities, and debt services. In addition, of the amounts previously made available from the Airport and Airway Trust Fund for operations in the Bipartisan Budget Act of 2018 (P.L. 115–123), up to $25 million may be repurposed to prevent, prepare for, and respond to the COVID-19 public health emergency. FRA received $1.0 billion in Grant to Amtrak to support the railroad's activities to maintain service for its passengers and support business operations. OST received $56 million in the Esseantial Air Service and Rural Improvement program to support the small communities to maintain access to the national air transportation system. MARAD received $2 million in appropriations to use in support of State Maritime Academies and the U.S. Merchant Marine Academy, and an additional $2 million to support its Operations and Training program. The OIG received $5 million in appropriations to use for administrative expenses to ensure the COVID-19 projects and activities were carried out as intended with CARES Act funding. The below financial information provides the asset, liabilities, net costs, revenue, net position, and budgetary resources of the DOT programs that received COVID-19 funding as of September 30, 2020.

Because Grants-In-Aid for Airports is a trust fund account, budgetary concepts require that the general fund appropriation be deposited to a general fund payment account, apportioned, then transferred to an available trust fund receipt account, fully expending the appropriation. The transfer-in to the available trust fund receipt account is then recorded as an appropriated receipt, apportioned, and available for obligation.

The classification of funds from dedicated collections is made by individual fund. In this case, the general fund payment account is classified as all other funds because its funding comes from general fund appropriations. Whereas, Grants-in-Aid for Airports is classified as funds from dedicated collections. In situations where there is a mixed source of funding, which is the case with Grants-in-Aid for Airports, the classification is based on the predominant source of funding. Even though the appropriated receipt for COVID-19 activity originates from general fund appropriations, the long-term expectation is that the predominant source of funding for Grants-in-Aid for Airports comes from aviation excise taxes, which are non-federal sources to be used for designated purposes.

This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions. Fund Balance with Treasury, grant accruals, and excise tax revenue (nonexchange) were significantly impacted by the COVID-19 funding. See Notes 2, 13, and 18.

NOTE 24. COVID-19 ACTIVITY (continued)

Dollars in Thousands	FTA	FAA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
Balance Sheet							*As of September 30, 2020*
Assets							
Fund Balance With Treasury	$13,034,332	$6,868,828	$30	$56,000	$800	$4,918	$19,964,908
Accounts Receivable, Net	—	1,500	—	—	—	—	1,500
Advances and Prepayments	—	2,699	—	79	—	—	2,778
Total Intragovernmental	**$13,034,332**	**$6,873,027**	**$30**	**$56,079**	**$800**	**$4,918**	**$19,969,186**
Advances, Prepayments, and Other Assets	—	—	102,038	—	—	—	102,038
Total Assets	**$13,034,332**	**$6,873,027**	**$102,068**	**$56,079**	**$800**	**$4,918**	**$20,071,224**
Liabilities and Net Position							
Intragovernmental							
Other Liabilities	8	9	—	—	—	—	17
Total Intragovernmental	8	9	—	—	—	—	17
Accounts Payable	—	141	—	—	—	—	141
Grant Accrual	2,047,354	4,369,120	—	—	—	—	6,416,474
Other Liabilities	46	67	—	—	—	—	113
Total Liabilities	**$2,047,408**	**$4,369,337**	**$—**	**$—**	**$—**	**$—**	**$6,416,745**
Unexpended Appropriations - Funds From Dedicated Collections	—	—	—	56,000	—	—	56,000
Unexpended Appropriations - All Other Funds	10,986,943	—	102,068	79	800	4,918	11,094,808
Cumulative Results of Operations - Funds From Dedicated Collections	—	2,503,690	—	—	—	—	2,503,690
Cumulative Results of Operations - All Other Funds	(19)	—	—	—	—	—	(19)
Total Net Position	**10,986,924**	**2,503,690**	**102,068**	**56,079**	**800**	**4,918**	**13,654,479**
Total Liabilities and Net Position	**$13,034,332**	**$6,873,027**	**$102,068**	**$56,079**	**$800**	**$4,918**	**$20,071,224**
Statement of Net Cost							*For the period ended September 30, 2020*
Program Costs	$14,013,092	$7,520,994	$916,182	$1,674	$3,334	$82	$22,455,358
Net Cost of Operations	**$14,013,092**	**$7,520,994**	**$916,182**	**$1,674**	**$3,334**	**$82**	**$22,455,358**
Statement of Changes in Net Position							*For the period ended September 30, 2020*
Unexpended Appropriations							
Appropriations Received (Funds From Dedicated Collections)	$—	$—	$—	$56,000	$—	$—	$56,000
Appropriations Received (All Other Funds)	25,000,000	10,000,000	1,018,250	1,753	4,134	5,000	36,029,137

NOTE 24. COVID-19 ACTIVITY (continued)

Dollars in Thousands	FTA	FAA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
Appropriations Used (All Other Funds)	(14,013,056)	(10,000,000)	(916,182)	(1,674)	(3,334)	(82)	(24,934,328)
Total Unexpended Appropriations (Funds From Dedicated Collections)	**—**	**—**	**—**	**56,000**	**—**	**—**	**56,000**
Total Unexpended Appropriations (All Other Funds)	**10,986,944**	**—**	**102,068**	**79**	**800**	**4,918**	**11,094,809**
Total Unexpended Appropriations	**$10,986,944**	**$—**	**$102,068**	**$56,079**	**$800**	**$4,918**	**$11,150,809**
Cumulative Results of Operations							
Beginning Balance (Funds From Dedicated Collections)	—	25,000	—	—	—	—	25,000
Appropriations Used (All Other Funds)	14,013,056	10,000,000	916,182	1,674	3,334	82	24,934,328
Transfers-in/(out) Without Reimbursement (Funds From Dedicated Collections)	—	10,000,000	—	—	—	—	10,000,000
Transfers-in/(out) Without Reimbursement (All Other Funds)	—	(10,000,000)	—	—	—	—	(10,000,000)
Other Financing Sources (Funds From Dedicated Collections)	—	(316)	—	—	—	—	(316)
Other Financing Sources (All Other Funds)	17	—	—	—	—	—	17
Total Financing Sources (Funds From Dedicated Collections)	—	10,024,684	—	—	—	—	10,024,684
Total Financing Sources (All Other Funds)	14,013,073	—	916,182	1,674	3,334	82	14,934,345
Total Financing Sources	**14,013,073**	**10,024,684**	**916,182**	**1,674**	**3,334**	**82**	**24,959,029**
Net Cost of Operations (Funds From Dedicated Collections)	—	7,520,994	—	—	—	—	7,520,994
Net Cost of Operations (All Other Funds)	14,013,092	—	916,182	1,674	3,334	82	14,934,364
Cumulative Results of Operations (Funds From Dedicated Collections)	**—**	**2,503,690**	**—**	**—**	**—**	**—**	**2,503,690**
Cumulative Results of Operations (All Other Funds)	**(19)**	**—**	**—**	**—**	**—**	**—**	**(19)**
Total Cumulative Results of Operations	**(19)**	**2,503,690**	**—**	**—**	**—**	**—**	**2,503,671**
Total Net Position End of Period (Funds From Dedicated Collections)	**—**	**2,503,690**	**—**	**56,000**	**—**	**—**	**2,559,690**
Total Net Position End of Period (All Other Funds)	**10,986,925**	**—**	**102,068**	**79**	**800**	**4,918**	**11,094,790**
Total Net Position	**$10,986,925**	**$2,503,690**	**$102,068**	**$56,079**	**$800**	**$4,918**	**$13,654,480**

NOTE 24. COVID-19 ACTIVITY (continued)

Dollars in Thousands	FTA	FAA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
Combined Statements of Budgetary Resources							*As of September 30, 2020*
Budgetary resources							
Unobligated Balance from Prior Year Budget Authority, Net	$—	$25,000	$—	$—	$—	$—	$25,000
Appropriations	25,000,000	20,000,000	1,018,250	57,753	4,134	5,000	46,085,137
Total Budgetary Resources	**$25,000,000**	**$20,025,000**	**$1,018,250**	**$57,753**	**$4,134**	**$5,000**	**$46,110,137**
Status of Budgetary Resources							
New Obligations and Upward Adjustments	$23,302,262	$19,383,133	$1,018,220	$1,753	$4,041	$82	$43,709,491
Unobligated Balance, End of Year							
Apportioned Unexpired Accounts	1,697,738	641,867	30	56,000	93	4,918	2,400,646
Unobligated Balance, End of Year	**1,697,738**	**641,867**	**30**	**56,000**	**93**	**4,918**	**2,400,646**
Total Budgetary Resources	**$25,000,000**	**$20,025,000**	**$1,018,250**	**$57,753**	**$4,134**	**$5,000**	**$46,110,137**
Outlays, Net							
Outlays, Net (Total)	$11,965,668	$13,131,171	$1,018,220	$1,505	$3,334	$82	$26,119,980
Distributed Offsetting Receipts	—	(10,000,000)	—	—	—	—	(10,000,000)
Agency Outlays, Net	**$11,965,668**	**$3,131,171**	**$1,018,220**	**$1,505**	**$3,334**	**$82**	**$16,119,980**

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the DOT financial statements and the DOT reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2019 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2020 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to the amounts that result from other components of the Federal Government. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

FY 2020 U.S. DOT BALANCE SHEET		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE BALANCE SHEET					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
ASSETS							**ASSETS**
Intragovernmental Assets							**Intragovernmental Assets**
Fund Balance With Treasury	$65,290,548	$15,399,137	$—	$49,891,411	$—	$65,290,548	Fund Balance With Treasury
Investments, Net	22,390,869	22,345,541	—	—	—	22,345,541	Federal Investments
		45,328	—	—	—	45,328	Interest Receivable – Investments
Total Investments, Net	22,390,869	22,390,869	—	—	—	22,390,869	*Total Reclassified Investments, Net*
Accounts Receivable	80,621	27,409	(1,635)	425,841	(384,447)	67,168	Accounts Receivable
		69,069,220	(69,055,767)	—	—	13,453	Transfers Receivable
		19,799	—	—	(19,799)	—	Asset for Agency Custodial and Non-Entity Liabilities – Other than the General Fund
Total Accounts Receivable	80,621	69,116,428	(69,057,402)	425,841	(404,246)	80,621	*Total Reclassified Accounts Receivable*
Advances and Prepayments	23,431	345,791	(39,842)	15,839	(298,357)	23,431	Advances to Others and Prepayments
Total Advances and Prepayments	23,431	345,791	(39,842)	15,839	(298,357)	23,431	*Total Reclassified Other*
Total Intragovernmental Assets	**87,785,469**	**107,252,225**	**(69,097,244)**	**50,333,091**	**(702,603)**	**87,785,469**	**Total Intragovernmental Assets**

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT BALANCE SHEET		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE BALANCE SHEET					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Accounts Receivable, Net	98,887	41,427	—	57,460	—	98,887	Accounts Receivable, Net
Direct Loan and Loan Guarantees, Net	16,874,044	—	—	16,874,044	—	16,874,044	Direct Loan and Loan Guarantees, Net
Inventory and Related Property, Net	1,057,263	—	—	1,057,263	—	1,057,263	Inventory and Related Property, Net
General Property Plant & Equipment, Net	12,440,128	3,007,496	—	9,432,632	—	12,440,128	Property Plant & Equipment, Net
Advances, Prepayments and Other Assets	1,354,776	1,992	—	1,352,784	—	1,354,776	Other Assets
Total Assets	**$119,610,567**	**$110,303,140**	**$(69,097,244)**	**$79,107,274**	**$(702,603)**	**$119,610,567**	**Total Assets**
LIABILITIES							**LIABILITIES**
Intragovernmental Liabilities							**Intragovernmental Liabilities**
Accounts Payable	29,561	$408,721	$(447)	$7,257	$(385,970)	$29,561	Accounts Payable
		69,055,767	(69,055,767)	—	—	—	Transfers payable
		69,464,488	(69,056,214)	7,257	(385,970)	29,561	*Total Reclassified Accounts Payable*
Debt	17,007,979	—	—	17,007,979	—	17,007,979	Loans Payable
		—	—	17,007,979	—	17,007,979	*Total Reclassified Debt Associated with Loans*
Other	1,291,145	—	—	6,232	—	6,232	Accounts Payable
		244,159	—	12,910	—	257,069	Benefit Program Contributions Payable
		152,021	(35,302)	713,904	(315,014)	515,609	Advances from Others and Deferred Credits
		—	—	19,799	(19,799)	—	Liability to Agency Other Than the General Fund of the U.S. Government for Custodial and Non-Entity Assets
		(3)	—	446,634	—	446,631	Liability to the General Fund for Custodial and Other Non-Entity Assets
		57,224	—	8,380	—	65,604	Other Liabilities

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT BALANCE SHEET		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE BALANCE SHEET					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Total Other – Intragovernmental Liabilities	1,291,145	453,401	(35,302)	1,207,859	(334,813)	1,291,145	*Total Reclassified Other – Miscellaneous Liabilities*
Total Intragovernmental Liabilities	**18,328,685**	**69,917,889**	**(69,091,516)**	**18,223,095**	**(720,783)**	**18,328,685**	**Total Intragovernmental Liabilities**
Accounts Payable	586,858	419,306	—	167,552	—	586,858	Accounts Payable
Loan Guarantee Liability	192,993	—	—	192,993	—	192,993	Loan Guarantee Liabilities
Federal Employee Benefits Payable	785,207	742,722	—	42,485	—	785,207	Federal Employee and Veteran Benefits Payable
Environmental and Disposal Liabilities	876,612	—	—	876,612	—	876,612	Environmental and Disposal Liabilities
Grant Accrual	15,791,963	12,949,651	—	2,842,312	—	15,791,963	Other Liabilities
Other	1,625,350	672,989	—	53,006	—	725,995	Federal Employee and Veterans Benefits Payable
		743,731	—	155,624	—	899,355	Other Liabilities
Total Other Liabilities	1,625,350	1,416,720	—	208,630	—	1,625,350	*Total Reclassified Miscellaneous Liabilities*
Total Liabilities	**$38,187,668**	**$85,446,288**	**$(69,091,516)**	**$22,553,679**	**$(720,783)**	**$38,187,668**	**Total Liabilities**
NET POSITION							
Unexpended Appropriations – Funds from Dedicated Collections (Combined)	$489,609	$489,609	—	—	—	$489,609	Net Position – Funds from Dedicated Collections
Unexpended Appropriations – All Other Funds (Combined)	45,324,553	—	—	45,324,553	—	45,324,553	Net Position – Funds Other than those from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections (Combined)	24,367,243	24,367,243	—	—	—	24,367,243	Net Position – Funds from Dedicated Collections
Cumulative Results of Operations – All Other Funds (Combined)	11,241,494	—	—	11,241,494	—	11,241,494	Net Position – Funds Other than those from Dedicated Collections
Total Net Position	**81,422,899**	**24,856,852**	**—**	**56,566,047**	**—**	**81,422,899**	**Total Net Position**
Total Liabilities & Net Position	**$119,610,567**	**$110,303,140**	**$(69,091,516)**	**$79,119,726**	**$(720,783)**	**$119,610,567**	**Total Liabilities & Net Position**

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Gross Costs	$111,037,000						*Non-Federal Costs*
		$78,619,218	$—	$28,192,496	$—	$106,811,714	Non-Federal Gross Cost
		78,619,218	—	28,192,496	—	106,811,714	*Total Non-Federal Costs*
							Intragovernmental Costs
		1,804,585	—	157,961	—	1,962,546	Benefit Program Costs
		368,673	—	55,691	—	424,364	Imputed Costs
		1,129,689	(19,469)	202,076	(659,398)	652,898	Buy/Sell Costs
		47,329	(932)	2,728	(25,648)	23,477	Purchase of Assets
		534	—	720,016	—	720,550	Borrowing and Other Interest Expense
		418,545	—	46,383	—	464,928	Other Expenses (w/o Reciprocals)
		(47,329)	932	(2,728)	25,648	(23,477)	Purchase of Assets Offset
		3,722,026	(19,469)	1,182,127	(659,398)	4,225,286	*Total Intragovernmental Costs*
Total Gross Costs	111,037,000	82,341,244	(19,469)	29,374,623	(659,398)	111,037,000	**Total Reclassified Gross Costs**
Earned Revenue	2,371,786	480,355	—	615,861	—	1,096,216	Non-Federal Earned Revenue
							Intragovernmental Revenue
		312,362	(16,137)	1,392,802	(657,769)	1,031,258	Buy/Sell Revenue
		41,059	—	—	—	41,059	Federal Securities Interest Revenue Including Associated Gains/ Losses (Exchange)
		14	—	203,239	—	203,253	Borrowing and Other Interest Revenue
		353,435	(16,137)	1,596,041	(657,769)	1,275,570	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	2,371,786	833,790	(16,137)	2,211,902	(657,769)	2,371,786	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$108,665,214**	**$81,507,454**	**$(3,332)**	**$27,162,721**	**$(1,629)**	**$108,665,214**	**Net Cost of Operations**

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	26,413	—	—	25,740	—	25,740	Non-Federal Earned Revenue
		—	—	673	—	673	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	26,413	—	—	26,413	—	26,413	*Total Reclassified Exchange Custodial Collections*
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(26,413)	—	—	(26,413)	—	(26,413)	Reclassified Disposition of Custodial Collections

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPROPRIATIONS							
Unexpended Appropriations, Beginning Balance	$34,197,021	$734,821	—	$33,462,200	—	$34,197,021	Net Position, Beginning of Period
Budgetary Financing Sources							
Appropriations Received	47,066,549	167,000	—	46,899,549	—	47,066,549	Appropriations Received as Adjusted
Appropriations Transferred In/Out	(5,536)	(15,007)	(529)	10,000	—	(5,536)	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources (Federal)
		(529)	529	—	—	—	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources (Federal)
Total Appropriations Transferred In/Out	(5,536)	(15,536)	—	10,000	—	(5,536)	*Total Reclassified Appropriations Transferred In/Out*
Other Adjustments	(94,717)	(59,638)	—	(35,079)	—	(94,717)	Appropriations Received as Adjusted
Appropriations Used	(35,349,155)	(337,038)	—	(35,012,117)	—	(35,349,155)	Appropriations Used (Federal)
Total Unexpended Appropriations	**$45,814,162**	**$489,609**	**—**	**$45,324,553**	**—**	**$45,814,162**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	56,414,658	44,901,862	—	11,512,796	—	56,414,658	Net Position, Beginning of Period
Budgetary Financing Sources							
Other Adjustments	1,925	1,971	—	(46)	—	1,925	Revenue and Other Financing Sources - Cancellations
Appropriations Used	35,349,155	337,038	—	35,012,117	—	35,349,155	Appropriation Expended (Federal)

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Non-Exchange Revenue	52,369,378						***Non-Federal Non-Exchange Revenues***
		42,693	—	1,282	—	43,975	Other Taxes and Receipts
		42,693	—	1,282	—	43,975	***Total Non-Federal Non-Exchange Revenues***
							Intragovernmental Non-Exchange Revenue
		522,993	—	—	—	522,993	Federal Securities Interest Revenue, including Associated Gains/ Losses (Non-Exchange)
		19,799	—	—	—	19,799	Accruals for Entity amounts to be collected in a TAS Other Than the General Fund of the U.S. Government
		106,981	—	—	—	106,981	Collections Transferred into a TAS Other Than the General Fund of the U.S. Government
		3,380	—	—	—	3,380	Borrowings and Other Interest Revenue (Non-Exchange)
		51,672,250	—	—	—	51,672,250	Other Taxes and Receipts
		52,325,403	—	—	—	52,325,403	***Total Intragovernmental Non-Exchange Revenue***
Total Non-Exchange Revenue	52,369,378	52,368,096	—	1,282	—	52,369,378	*Total Reclassified Non-Exchange Revenues*
Donations and Forfeitures of Cash/ Cash Equivalents	1,167	1,167	—	—	—	1,167	Other Taxes and Receipts (Non-Federal)

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Transfers-In/Out w/o Reimbursement – Budgetary	39,793	268,113	(265,834)	—	—	2,279	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-in
		(265,834)	265,834	—	—	—	Appropriation of Unavailable Special or Trust Fund Receipts Transfers-out
		79,502,454	(79,463,919)	100	—	38,635	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		(79,465,039)	79,463,918	—	—	(1,121)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		20,622,572	(10,542,159)	424,600	(10,505,013)	—	Expenditure Transfers-In of Financing Sources
		(10,566,760)	10,542,160	(10,480,413)	10,505,013	—	Expenditure Transfers-Out of Financing Sources
Total Transfers-In/Out w/o Reimbursement – Budgetary	39,793	10,095,506	—	(10,055,713)	—	39,793	*Total Reclassified Transfers In/Out w/o Reimbursement – Budgetary (Federal)*
Other Financing Sources (Non-Exchange)							
Donations and Forfeitures of Property	(115,784)	—	—	(115,784)	—	(115,784)	Other Taxes and Receipts (Non-Federal)
Transfers-In/Out w/o Reimbursement - Other Financing Sources	33,299	(116,141)	139,941	950,834	(941,335)	33,299	Transfers-in w/o Reimbursement
		(727,102)	(138,713)	(74,292)	940,107	—	Transfers-out w/o Reimbursement
Total Transfers-In/Out w/o Reimbursement – Other Financing Sources	33,299	(843,243)	1,228	876,542	(1,228)	33,299	*Total Reclassified Transfers-In/Out w/o Reimbursement – Other Financing Sources*
Imputed Financing	424,364	368,673	—	55,691	—	424,364	Imputed Financing Sources (Federal)

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Other	(244,004)	—	—	(1,092,207)	—	(1,092,207)	Non-Entity Custodial Collections Transferred to the General Fund
		—	—	850,813	—	850,813	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(1,356,373)	—	1,353,763	—	(2,610)	Borrowings and Other Interest Revenue (Non-exchange)
Total Other	(244,004)	(1,356,373)	—	1,112,369	—	(244,004)	*Total Reclassified Other*
Total Financing Sources	**87,859,293**	**60,972,835**	**1,228**	**26,886,458**	**(1,228)**	**87,859,293**	**Total Financing Sources**
Net Cost of Operations	**108,665,214**	**81,507,454**	**—**	**27,157,760**	**—**	**108,665,214**	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	**35,608,737**	**24,367,243**	**1,228**	**11,241,494**	**(1,228)**	**35,608,737**	**Net Position – Ending Balance**
Total Net Position	**$81,422,899**	**$24,856,852**	**$1,228**	**$56,566,047**	**$(1,228)**	**$81,422,899**	**Total Net Position**

NOTE 25. RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS (continued)

FY 2020 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2020 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated Collections and All Other**	**Total**	**Reclassified Financial Statement Line**
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	159,166	—	—	159,166	—	159,166	Other Taxes and Receipts
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(159,166)	—	—	(38,209)	—	(38,209)	Non-Entity Custodial Collections Transferred to the General Fund
		—	—	(106,981)	—	(106,981)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
				(19,799)		(19,799)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		—	—	5,823	—	5,823	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Total Disposition of Non-Exchange Custodial Collections	(159,166)	—	—	(159,166)	—	(159,166)	*Total Reclassified Disposition of Non-Exchange Custodial Collections*

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2020

Dollars in Thousands			Cost To Return To Acceptable Condition	
DOT Entity	**Major Class of Asset**	**Description**	**Beginning Balance**	**Ending Balance**
FAA	Staffed Facilities	Buildings, structures, and facilities at major and nonmajor airports	$321,115	$364,107
	Unstaffed Faculties	Long range radars; unstaffed infrastructure and fuel storage tanks	792,380	1,077,861
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	52,036	42,654
	Buildings	Real property structure—U.S. Merchant Marine Academy	34,099	67,913
Total			**$1,199,630**	**$1,552,535**

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be performed and delayed until a future period. Maintenance and repairs are the act of keeping fixed assets in acceptable condition, and they include 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.

DOT's reporting of DM&R includes the Operating Administrations of FAA and MARAD, which include facilities critical to our Nation's airspace and maritime operations.

The FAA deferred maintenance includes facilities that must be maintained at 90 to 95 percent of prescribed levels to be considered in fair condition or better. DM&R are estimated using condition assessment surveys to establish Facilities Condition Index scores and lifecycle short forecasts. The estimates include FAA's buildings, structures and facilities both staffed and unstaffed. The staffed facilities that directly support air traffic control operations are assessed for DM&R and lifecycle costs on a rotating basis by a qualified engineering firm. DM&R for unstaffed infrastructure facilities is determined by facility surveys.

DM&R estimates for the FAA long-range radar facilities supporting critical airspace system facilities were computed through actual onsite facility assessments based on the Plant (facility) Replacement Value as estimated by the long-range radar planning and requirements specialist located in FAA's service centers. DM&R calculations for fuel storage tanks are determined based on the age of the structure. Additionally, FAA revised the methodology for computing the deferred maintenance for unstaffed infrastructure in FY 2017. FAA now maintains an itemized database that contains all active capital assets along with their associated lifecycles and replacement costs. The current computation is based upon asset lifecycles instead of the previous estimate methodology which was based upon a 2008 engineering assessment and annual sustainment requirements.

The DM&R at MARAD includes Ready Reserve Force (RRF) vessels at various locations, National Defense Reserve Fleet (NDRF) and facilities, and the U.S. Merchant Marine Academy (USMMA). MARAD maintains RRF vessels in accordance with their assigned readiness status and current condition status. The current condition status is a function of required repairs of deficiencies and their impact on the ability to activate and operate a vessel in accordance with the readiness status. MARAD ship managers prioritize preventive maintenance actions, repair, and upgrade actions in accordance with the activities' impact to readiness. Exclusions were made for environmental initiatives work not normally considered maintenance because these represent enhancements for energy savings impacting the environment or other environmental impacts.

NDRF and fleet facilities are required to maintain updated facility condition assessment documentation and fleet craft servicing plans to ensure facilities are maintaining acceptable operational and infrastructural conditions for mission accomplishment. In support of this, appropriate planning and budgeting is performed throughout the year. Priorities are assigned based upon annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. MARAD Resource Management Board has concluded that it has sufficient resources to fund requirements necessary to maintain NDRF and fleet facilities in acceptable condition. Projects that would improve fleet conditions beyond just acceptable conditions remain in budget

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED) (continued)

submissions mainly for visibility purposes and to support future decisions if critical factors change and the improvements themselves become mission critical. This change resulted in zero DM&R costs for NDRF and fleet facilities.

The Computerized Maintenance Management System, or CMMS, is primarily used to track maintenance and repairs on the USMMA property and equipment and generating preventative maintenance schedules on a predetermined period. DM&R activities are prioritized based on life and safety concerns as determined by the USMMA Department of Public Works management and USMMA environmental department. Acceptable condition standards must meet the established maintenance standards and operate efficiently under normal life expectancy. Scheduled maintenance is sufficient to maintain the current condition or meet the minimum standards while requiring additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2020

Dollars in Thousands	Federal-Aid	FAA	FTA	MARAD	All Other	Total
Budgetary Resources						
Unobligated Balance From Prior Year Budget Authority, Net	$21,671,542	$6,493,683	$18,184,118	$1,576,981	$13,752,514	$61,678,838
Appropriations (Note 1W)	—	34,669,210	27,760,000	1,061,454	8,283,807	71,774,471
Borrowing Authority	—	—	—	340,793	4,178,792	4,519,585
Contract Authority	45,729,860	3,350,000	11,372,459	—	1,562,637	62,014,956
Spending Authority From Offsetting Collections	304,320	11,280,715	50	523,383	1,261,792	13,370,260
Total Budgetary Resources	**$67,705,722**	**$55,793,608**	**$57,316,627**	**$3,502,611**	**$29,039,542**	**$213,358,110**
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$45,189,922	$49,437,939	$39,090,979	$2,122,550	$16,773,278	$152,614,668
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,748,298	3,882,346	18,197,226	1,204,145	11,667,499	39,699,514
Unapportioned, Unexpired Accounts	17,767,502	2,303,292	26,121	161,937	537,571	20,796,423
Unexpired Unobligated Balance, End of Year	22,515,800	6,185,638	18,223,347	1,366,082	12,205,070	60,495,937
Expired Unobligated Balance, End of Year	—	170,031	2,301	13,979	61,194	247,505
Unobligated Balance, End of Year	22,515,800	6,355,669	18,225,648	1,380,061	12,266,264	60,743,442
Total Budgetary Resources	**$67,705,722**	**$55,793,608**	**$57,316,627**	**$3,502,611**	**$29,039,542**	**$213,358,110**
Outlays, Net, and Disbursements, Net						
Outlays, Net	$46,719,494	$30,761,594	$25,373,272	$667,100	$8,587,277	$112,108,737
Distributed Offsetting Receipts	—	(10,409,856)	(1,157)	(87,232)	(1,303,471)	(11,801,716)
Agency Outlays, Net	**$46,719,494**	**$20,351,738**	**$25,372,115**	**$579,868**	**$7,283,806**	**$100,307,021**
Disbursements, Net				**$378,709**	**$(4,104,510)**	**$(3,725,801)**

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2019

Dollars in Thousands	Federal-Aid	FAA	FTA	MARAD	All Other	Total
Budgetary Resources						
Unobligated Balance From Prior Year Budget Authority, Net	$22,260,066	$6,053,278	$18,437,306	$877,330	$9,689,136	$57,317,116
Appropriations (Note 1W)	—	14,603,559	3,484,834	1,169,573	9,985,328	29,243,294
Borrowing Authority	—	—	—	5,061	3,254,444	3,259,505
Contract Authority	44,778,774	3,350,000	11,013,774	—	1,536,718	60,679,266
Spending Authority From Offsetting Collections	210,531	10,661,064	2,128	563,178	1,201,035	12,637,936
Total Budgetary Resources	**$67,249,371**	**$34,667,901**	**$32,938,042**	**$2,615,142**	**$25,666,661**	**$163,137,117**
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$44,955,627	$28,423,986	$15,612,158	$1,068,650	$12,381,894	$102,442,315
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,885,956	3,794,763	17,294,961	1,312,470	11,804,906	39,093,056
Unapportioned, Unexpired Accounts	17,407,788	2,271,198	28,749	226,174	1,420,180	21,354,089
Unexpired Unobligated Balance, End of Year	22,293,744	6,065,961	17,323,710	1,538,644	13,225,086	60,447,145
Expired Unobligated Balance, End of Year	—	177,954	2,174	7,848	59,681	247,657
Unobligated Balance, End of Year	22,293,744	6,243,915	17,325,884	1,546,492	13,284,767	60,694,802
Total Budgetary Resources	**$67,249,371**	**$34,667,901**	**$32,938,042**	**$2,615,142**	**$25,666,661**	**$163,137,117**
Outlays, Net, and Disbursements, Net						
Outlays, Net	$44,166,588	$17,169,922	$13,369,343	$552,574	$6,664,491	$81,922,918
Distributed Offsetting Receipts	—	(510,295)	(8,366)	(29,175)	(696,979)	(1,244,815)
Agency Outlays, Net	**$44,166,588**	**$16,659,627**	**$13,360,977**	**$523,399**	**$5,967,512**	**$80,678,103**
Disbursements, Net				**$(84,574)**	**$4,005,173**	**$3,920,599**

MARINE WAR RISK INSURANCE PROGRAM (UNAUDITED)

For FY 2020 and FY 2019, MARAD covered nonpremium war risk insurance with a total coverage per year of $279 million. The DoD indemnifies MARAD for any losses arising out of the nonpremium insurance. There have been no losses and no claims are outstanding for this nonpremium insurance. There is approximately $51 million in the Marine War Risk Insurance fund to reimburse operators that may be covered by premium insurance in future periods for national security and defense purposes. For FY 2020 and FY 2019, there were no outstanding policies or obligations for the premium based war risk insurance program.

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Unmodified
Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None noted	0	0	0	0	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: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None noted	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Effectiveness of Internal Control Over Operations (FMFIA, Section 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None noted	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

Conformance with Financial Management System Requirements (FMFIA, Section 4)

Statement of Assurance: Systems comply

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None noted	0	0	0	0	0	0

Conformance with Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

NON-FEDERAL PHYSICAL PROPERTY ANNUAL STEWARDSHIP INFORMATION TRANSPORTATION INVESTMENTS (UNAUDITED)

For the period ended September 30

Dollars in Thousands	2016	2017	2018	2019	2020
Surface Transportation					
Federal Highway Administration					
Federal Aid Highways (HTF)	$40,367,987	$41,720,349	$42,305,868	$43,223,017	$46,801,719
Other Highway Trust Fund Programs	55,621	36,154	37,572	52,346	47,151
General Fund Programs	255,273	5,270	258,033	448	1,098
Appalachian Development System	230,623	202,625	202,311	168,375	34,967
Total Federal Highway Administration	**40,909,504**	**41,964,398**	**42,803,784**	**43,444,186**	**46,884,935**
Federal Transit Administration					
Discretionary Grants	6,151	(17,605)	3,482	3,482	—
Formula Grants	32,682	19,314	13,696	8,438	14,800
Capital Investment Grants	1,968,027	1,906,775	1,660,848	956,951	2,133,871
Washington Metro Area Transit Authority	265,177	204,463	180,696	159,824	178,095
Formula and Bus Grants	9,466,025	9,459,965	10,106,692	10,511,783	9,933,833
Total Federal Transit Administration	**11,738,062**	**11,572,912**	**11,965,414**	**11,640,478**	**12,260,599**
Total Surface Transportation Non-Federal Physical Property Investments	**52,647,566**	**53,537,310**	**54,769,198**	**55,084,664**	**59,145,534**
Air Transportation					
Federal Aviation Administration					
Airport Improvement Program	3,127,758	3,285,443	3,166,777	3,499,162	11,300,066
Total Air Transportation Non-Federal Physical Property Investments	**3,127,758**	**3,285,443**	**3,166,777**	**3,499,162**	**11,300,066**
Total Non-Federal Physical Property Investments	**$55,775,324**	**$56,822,753**	**$57,935,975**	**$58,583,826**	**$70,445,600**

FHWA 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 10 percent for the Interstate System and 20 percent for most other programs.

FTA 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.

FAA makes project grants for airport planning and development under the 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, State and local governments, and metropolitan planning authorities.

INSPECTOR GENERAL'S FY 2021 TOP MANAGEMENT CHALLENGES

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Memorandum

Date: October 21, 2020

Subject: INFORMATION: DOT's Fiscal Year 2021 Top Management Challenges
Report No. PT2021002

From: Howard R. "Skip" Elliott
Acting Inspector General

To: The Secretary
Deputy Secretary

The United States transportation system is vital to our Nation's economy and way of life, connecting Americans to workplaces, schools, goods and services, and each other. The Department of Transportation (DOT) works to ensure our Nation has the safest, most efficient, and modern transportation system in the world, one that improves our quality of life and increases the productivity of American workers and businesses.

Our office supports the Department's mission through audits and investigations that identify improvements to the management and execution of its transportation programs. Each year, as required by law, we report on DOT's top management challenges to help the Department meet its strategic priorities across its wide-ranging transportation program areas. These priorities include enhancing safety, improving transportation infrastructure, fostering innovation, and promoting accountability.

At the same time, we recognize that the Department faces the new and extraordinary task of meeting these priorities while also responding to the Coronavirus Disease 2019 (COVID-19) global pandemic. The transportation industry has been one of the hardest hit by the pandemic, which has dealt sweeping and likely long-lasting impacts to all sectors, from aviation and public transit to infrastructure construction projects and more. In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided DOT with over $36 billion to prevent, prepare for, and respond to COVID-19. Implementing the act became an immediate priority and a new challenge for the Department.

DOT rose to this challenge by quickly obligating CARES Act funding. As of September 28, 2020, the Department reports that it has obligated more than 93 percent of these funds to our Nation's airports, transit agencies, Amtrak, and other critical recipients.

INSPECTOR GENERAL'S FY 2021 TOP MANAGEMENT CHALLENGES (continued)

As we noted in our June 17, 2020, memorandum, we are committed to helping the Department maximize the efficacy of CARES Act funds, recognizing that the speed with which the funds had to be disbursed created new oversight challenges. Undoubtedly, the challenges surrounding COVID-19 and oversight of CARES Act requirements will influence the Department's priorities and actions for years to come. Accordingly, in this year's report, we have included CARES Act and COVID-19 considerations in all eight of our top management challenges.

For example, the safety of the traveling public remains DOT's top priority, but the pandemic has added new dimensions to the Department's efforts. In the area of aviation, the Department will need to improve oversight of aircraft certification processes and air carrier safety programs, while also reviewing and responding to numerous requests from the industry to update regulations and guidance in response to COVID-19. For surface transportation, DOT must enhance oversight to ensure compliance with vital safety regulations for highway, motor carrier, pipeline, and railroad programs. At the same time, the Department will need to address the economic impacts the pandemic may have on State and local funding for surface transportation safety programs.

Responding to COVID-19 and the CARES Act also increases DOT's existing challenges related to strengthening our Nation's transportation infrastructure. For example, DOT continues its multibillion-dollar investment in efforts to modernize our aging air traffic control network and implement new, advanced capabilities. However, completing these efforts—and achieving their expected benefits—will likely face delays due to the monumental decline in air traffic resulting from COVID-19. In addition, the CARES Act has added an additional $26 billion to the Department's typical $50 billion annual investment in highway, transit, and railroad infrastructure programs. While robust oversight is always critical to ensure that infrastructure projects adhere to Federal requirements, the additional CARES Act projects mean that States and other grantees must place increased emphasis on sound asset and performance management practices.

In addition, because the pandemic could have long-term effects on our transportation system, the Department will need to target some of its innovation priorities to address new and evolving needs. For example, DOT is currently working to oversee the safe integration of Unmanned Aircraft Systems (UAS) in the same airspace as manned aircraft. This challenge is now compounded by the fact that the COVID-19 emergency has increased the sense of urgency to approve expanded use of UAS into daily life, such as delivery of medical goods and supplies.

In light of these heightened challenges, it is more important than ever that the Department focus management attention on its goal of accountability, particularly with regard to efficient use of taxpayer funds. Chief among DOT's challenges will be awarding pandemic relief and other DOT contracts and grants efficiently, effectively, and for intended purposes. The recent influx of new grant funding may also present financial management challenges. For example, DOT will now have to monitor significantly more grants and grantees to continue reducing improper payments and

INSPECTOR GENERAL'S FY 2021 TOP MANAGEMENT CHALLENGES (continued)

to comply with mandatory reporting requirements. DOT must also ensure it protects the integrity of its financial management information systems to effectively administer and oversee CARES Act funds while maintaining focus on longstanding cybersecurity weaknesses.

We considered several criteria to identify the Department's top management challenges for fiscal year 2021, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change. In the enclosed report, we identify and discuss the following challenge areas:

- Aviation Safety
- Surface Transportation Safety
- Air Traffic Control and Airspace Modernization
- Surface Transportation Infrastructure
- Contract and Grant Fund Stewardship
- Information Security
- Financial Management
- Innovation and the Future of Transportation

As always, we will continue to work closely with DOT officials to support the Department's efforts to improve safety, enhance efficiency, and protect resources, including oversight of the funding provided through the CARES Act. We appreciate the Department's commitment to prompt action in response to the challenges we have identified. This report and the Department's response will be included in DOT's Annual Financial Report, as required by law.

If you have any questions regarding this report, please contact me at (202) 366-1959. You may also contact Barry J. DeWeese, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1302.

cc: DOT Audit Liaison, M-1

AVIATION SAFETY

OAs Impacted
FAA

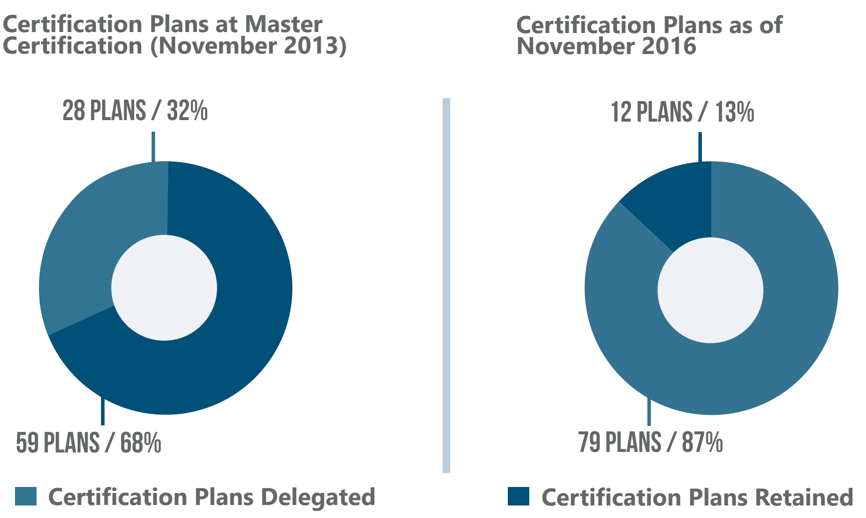
Related DOT Strategic Goals
Safety

FAA is responsible for maintaining the safety of a diverse, complex, and rapidly evolving aviation industry. While FAA has historically maintained an excellent safety record, two fatal accidents in October 2018 and March 2019 and the subsequent grounding of the FAA-certified Boeing 737 MAX aircraft brought to light significant issues related to FAA's certification process and use of delegation authority to certify new aircraft designs. In addition, FAA continues to face challenges related to air carrier safety oversight and aircraft maintenance, as we highlighted recently at Allegiant Air and Southwest Airlines.

Improving FAA's Oversight of Aircraft Certification Processes

- Recognizing that it is not possible for FAA employees to oversee every facet of the large aviation industry, Federal law allows the Agency to delegate certain functions to private individuals or organizations, such as determining compliance with aircraft certification regulations.
- While delegation is essential to meeting FAA's certification goals, the Agency faces the significant challenge of ensuring that manufacturers maintain high standards and comply with safety regulations, especially as delegation increases throughout a certification project. For example, as we recently reported, by the final stages of the Boeing 737 MAX 8 certification process, FAA had delegated more than 85 percent of the aircraft's certification plans to Boeing (see figure).
- Resolving identified issues related to the certification of the 737 MAX aircraft—such as inconsistent communication within FAA and between FAA and industry—will remain a key challenge for FAA.
- FAA must also continue to improve its oversight processes for its delegation program, as we recommended in 2015. We are continuing to examine the certification process for an upcoming report. Ultimately, continued management attention will be critical to ensure FAA identifies and monitors the highest-risk and safety-critical areas of aircraft certification.

Boeing 737 MAX 8 Certification Plans Delegated and Retained by FAA at Key Certification Milestones



Note: FAA certified the Boeing 737 MAX 8 in March 2017.
Source: OIG analysis of FAA and Boeing data

CARES Act Considerations

While the CARES Act does not directly address aviation safety, the COVID-19 pandemic has challenged FAA in certain areas:

- **Air carrier operations.** Passenger carriers have experienced an unprecedented drop in demand for air travel, resulting in reduced schedules.
- **Aircraft airworthiness.** Aircraft removed from service temporarily will need to undergo additional maintenance prior to return to service.
- **Industry requests.** FAA is evaluating a large number of requests from across the aviation industry to help address COVID-19 related effects, including amending regulations and issuing guidance.

Enhancing Aviation Safety Oversight While Working in a Collaborative Environment

- In recent years, FAA has implemented changes aimed at enhancing collaboration with industry to mitigate safety risks. Through its Compliance Program, which began in 2015, FAA prefers to first work with air operators to address root causes of safety violations rather than impose enforcement actions.
- However, we found that FAA inspectors face challenges in navigating these changes when attempting to hold operators accountable for regulatory compliance. For example, as we reported in December 2019, local inspectors proposed a 30-day suspension for a repair station due to a severe maintenance issue, only to be overruled by regional officials who ordered the case closed without any punitive action.
- At another carrier, FAA relied on the carrier's risk assessments to justify continued noncompliances with safety regulations, such as operating noncompliant pre-owned aircraft. As we reported in February 2020, these actions put more than 17 million passengers at risk (see figure).
- In both reports, we made a number of recommendations to help FAA meet its safety oversight challenges, including to improve guidance for FAA inspectors on evaluating air carrier safety risk assessments and addressing recurring noncompliances.

Safety Concerns at Southwest Airlines Identified in Our February 2020 Report

2 YEARS

AMOUNT OF TIME FAA ALLOWED THE CARRIER TO RESOLVE ONGOING AIRCRAFT SAFETY ISSUES

150,000

NUMBER OF FLIGHTS OPERATED ON PREVIOUSLY OWNED AIRCRAFT THAT DID NOT MEET U.S. SAFETY STANDARDS

17.2 MILLION

PASSENGERS PUT AT RISK

Source: OIG analysis of FAA data

For more information on the issues identified in this chapter, please contact:

Matthew E. Hampton
Assistant Inspector General for Aviation Audits
(202) 366-0500 | Matthew.E.Hampton@oig.dot.gov

Recent Progress Reported by the Department

- **Boeing 737 MAX certification.** FAA is taking steps to address recommendations from multiple external and internal reviews, including areas we identified in our October 2015 report.
- **Oversight.** In response to our recommendation, FAA is working on a policy revision to implement a risk-based approach to Organization Designation Authorization oversight by December 2020.
- **Air carrier safety oversight.** FAA is working toward resolving our 20 recommendations aimed at enhancing oversight of Allegiant Air and Southwest Airlines.

Related OIG Work

Timeline of Activities Leading to the Certification of the Boeing 737 MAX 8 Aircraft and Actions Taken After the October 2018 Lion Air Accident (June 29, 2020)

>> We did not make recommendations; the data gathered were informational in response to the Secretary's request.

FAA Has Not Effectively Overseen Southwest Airlines' Systems for Managing Safety Risks (February 11, 2020)

>> 11 recommendations (10 open, 1 closed)

FAA Needs To Improve Its Oversight To Address Maintenance Issues Impacting Safety at Allegiant Air (December 17, 2019)

>> 9 recommendations (9 open, 0 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

SURFACE TRANSPORTATION SAFETY

OAs Impacted
FMCSA, FRA, NHTSA, PHMSA

Related DOT Strategic Goals
Safety

DOT's top priority is to ensure the U.S. transportation system is the safest in the world. Although the number of fatalities in all motor vehicle traffic crashes on U.S. roadways decreased by 3.3 percent from 2016 to 2018, fatalities in crashes involving large trucks or buses have increased by 5.8 percent. To enhance safety, the Department faces the ongoing challenge of ensuring compliance with regulations for safety programs nationwide. At the same time, DOT must continue making progress on monitoring and enforcement efforts in order to have timely and effective outcomes for highway, motor carrier, pipeline, and railroad safety programs.

Ensuring Compliance With Safety Regulations and Programs

- As part of its effort to reduce crashes involving large trucks and buses, FMCSA must provide robust oversight of States' compliance with requirements for commercial driver's license (CDL) programs. This includes, for example, monitoring certified medical examiners who conduct physical examinations to confirm drivers are qualified to operate commercial vehicles. In addition, FMCSA must take steps to identify and prevent CDL fraud. OIG investigations have uncovered fraud related to several CDL issues, including commercial driver medical examinations involving doctors or drivers, public corruption of State employees, CDL third-party testers, reincarnated carriers, and other CDL-related issues (see figure).

- Regarding rail safety, FRA will be challenged to develop audit procedures, training, and support tools for railroad safety staff to address regulations such as positive train control, system safety, and risk reduction. Based on our recent audits, taking these actions is critical to focus the Agency's limited resources on oversight, enforcement, and following up on high-risk safety requirements and performance areas. FRA also needs to improve program management capabilities critical to verifying that railroads take corrective actions in areas such as drug and alcohol testing, railroad conductor certification, and rail safety data reporting.

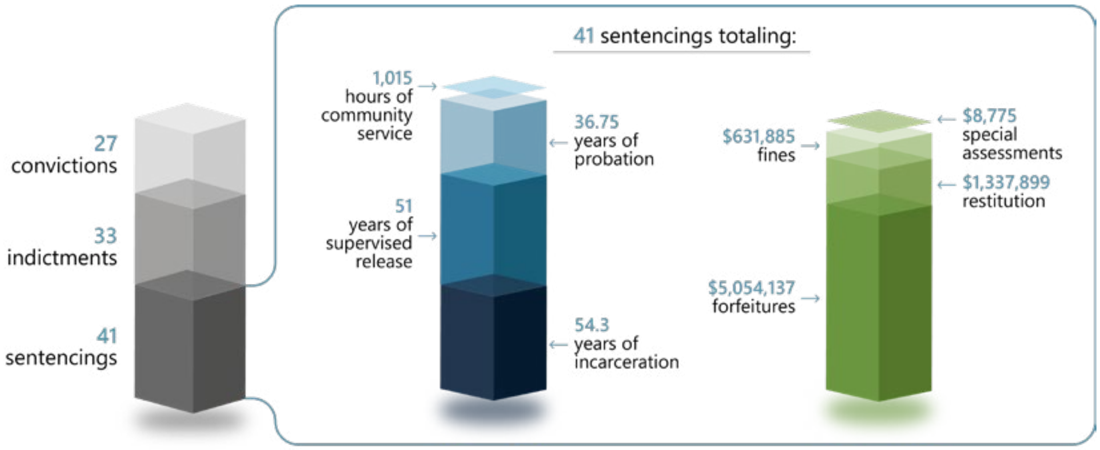
- An overall challenge to PHMSA's oversight of the Nation's aging pipeline infrastructure is enforcing compliance with pipeline safety-related laws and requirements. PHMSA will need to manage its workforce needs to ensure it can provide oversight of the safe transportation of natural gas, petroleum, and other hazardous materials. This includes hiring and retaining pipeline safety staff to address longstanding retention and recruitment challenges.

CARES Act Considerations

The CARES Act authorized the Department to temporarily waive certain Federal requirements associated with the surface transportation system and related grant programs. Challenges include monitoring the use of waivers to ensure they do not adversely impact program effectiveness and public safety, providing transparency, and meeting congressional reporting requirements.

In addition, DOT will need to address economic impacts the pandemic may have on State and local funding for surface transportation safety programs.

OIG Investigations Related to CDL Fraud,* 2016–2020



Source: OIG

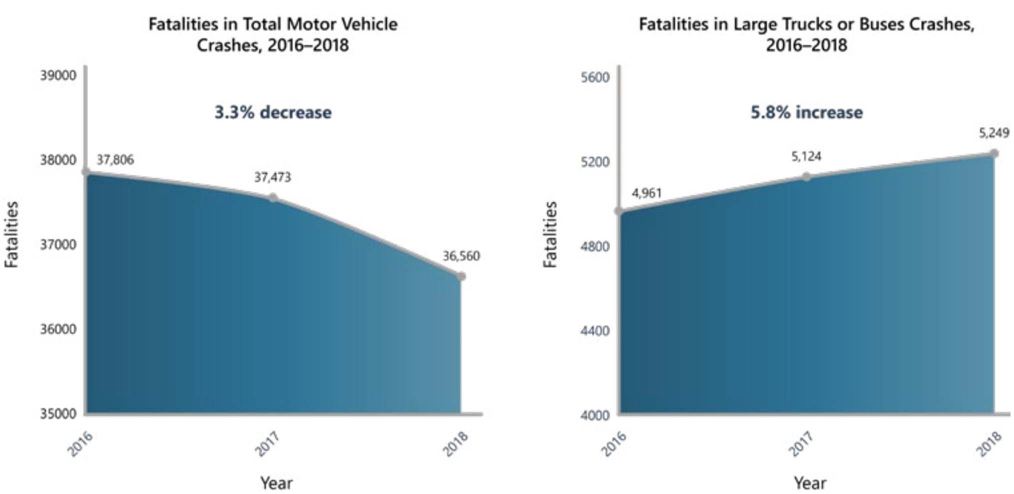
* Cases include CDL medical examination fraud involving doctors or drivers, public corruption of State employees, CDL third-party tester fraud; reincarnated carriers, and other CDL fraud.

Continuing Progress in Safety Monitoring and Enforcement

- One of FMCSA's key safety challenges is identifying motor carriers with safety concerns and better prioritizing high-risk carriers for interventions. As we reported in 2019, FMCSA is testing a statistical model to gauge how it prioritizes motor carrier safety interventions, but the Agency lacks implementation details for improving transparency and its assessment of carrier safety rankings. To meet this challenge, FMCSA must take steps to ensure it has the quality data needed to support its assessment of motor carrier safety performance.

- Identifying vehicle safety defects and monitoring recalls remains key to reducing overall traffic crashes and fatalities. To better meet this goal, NHTSA recently established process improvements such as establishing an online portal for manufacturer recall submissions; enhancing requirements for owner notification letters; and establishing a risk-based approach to review recalls for adequate scope and remedy. NHTSA must remain vigilant and focus on manufacturers' adherence to these improvements to ensure the safety of vehicles operated on our Nation's roads.

Fatalities in Motor Vehicle Crashes (Total Crashes vs. Crashes Involving Large Trucks or Buses), 2016-2018



Source: OIG analysis of DOT data

For more information on the issues identified in this chapter, please contact:

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-5630 | David.Pouliott@oig.dot.gov

Recent Progress Reported by the Department

The Department has implemented several OIG recommendations in recent years. These include PHMSA's improvements to its oversight policies for liquefied natural gas facilities, FMCSA's efforts to strengthen controls for reviewing high-risk carriers, and FRA's new procedures and training on auditing compliance with railroad safety data requirements.

Additionally, DOT has taken action to ensure that nearly all U.S. rail systems subject to the statutory mandate have successfully implemented positive train control systems, an area that we previously identified as a top management challenge.

Related OIG Work

Oversight Weaknesses Limit FRA's Review, Approval, and Enforcement of Railroads' Drug and Alcohol Testing Programs
(April 29, 2020)
>> 4 recommendations (3 open, 1 closed)

FMCSA's Plan Addresses Recommendations on Prioritizing Safety Interventions but Lacks Implementation Details
(September 25, 2019)
>> 2 recommendations (2 open, 0 closed)

PHMSA Has Improved Its Workforce Management but Planning, Hiring, and Retention Challenges Remain
(November 21, 2017)
>> 3 recommendations (1 open, 2 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

AIR TRAFFIC CONTROL AND AIRSPACE MODERNIZATION

OAs Impacted
FAA

Related DOT Strategic Goals
Innovation, Accountability

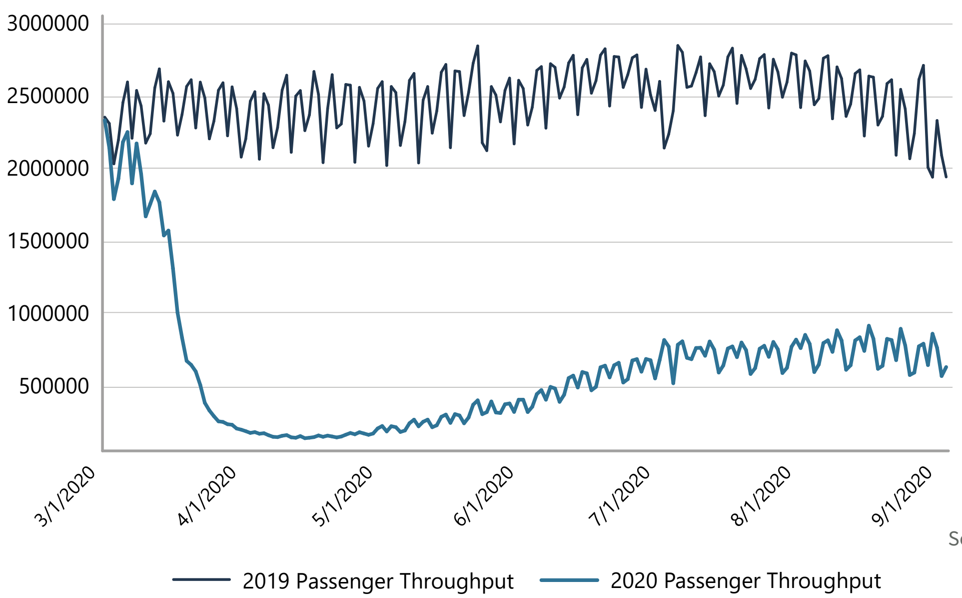
FAA continues to modernize the National Airspace System (NAS) through the multibillion-dollar Next Generation Air Transportation System (NextGen) program. As envisioned, NextGen will provide safer, more efficient air traffic management by 2025. While it has implemented new capabilities, FAA still faces challenges in upgrading aging infrastructure, continuing NextGen's deployment, and achieving intended benefits in a cost-effective manner. These challenges may be compounded in part by the ongoing impacts of the COVID-19 pandemic on the aviation industry.

Modernizing New Systems While Introducing New Capabilities

- The En Route Automation Modernization (ERAM) system is a foundational NextGen system that will improve the efficiency of the NAS by providing capabilities such as satellite-based navigation and high-altitude data communication systems. Air traffic controllers rely on ERAM to manage high-altitude flights at 20 air traffic control facilities nationwide. However, as we recently reported, technical challenges and schedule delays have hindered FAA's efforts to replace ERAM's original computer hardware and modernize its system software. FAA expects that COVID-19 will further impact ERAM progress.

- FAA has integrated another key NextGen capability with ERAM—Data Communications (DataComm). DataComm provides two-way digital communications between controllers and flight crews, improving accuracy, efficiency, and safety. Last year, we reported that DataComm was scheduled to be implemented by the end of 2021 at the high-altitude en route centers. However, due to the impacts of the 2019 Government shutdown, latent air-to-ground interoperability issues, and the new challenge of COVID-19, that timeline has slipped to at least 2022. Currently, en route DataComm services are operational at three high-altitude en route centers. However, the deployment to the other 17 centers is now on hold.

Number of Domestic Passengers Traveling Through Transportation Security Agency (TSA) Checkpoints, 2019 vs. 2020



Source: OIG analysis of TSA passenger throughput data

CARES Act Considerations

While the CARES Act does not directly relate to this issue, the COVID-19 pandemic has challenged FAA in certain areas:

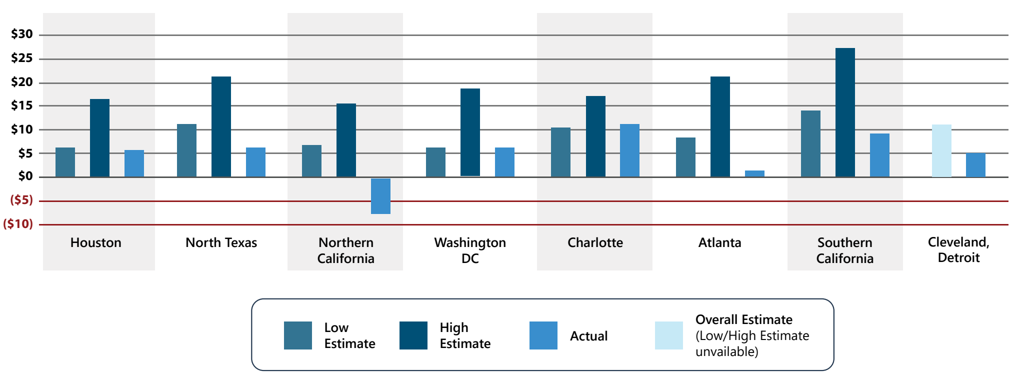
- **NextGen.** Air traffic has significantly dropped. For example, the number of passengers declined by more than 90 percent in April 2020 when compared to the previous year (see figure). This drop in traffic will likely impact the timeline and amounts of NextGen projected benefits. FAA also expects the pandemic will delay efforts to modernize key systems.

- **Staffing at air traffic facilities.** After temporarily shutting down the Chicago Midway Tower in March 2020, FAA developed a cleaning regimen and is using existing contingency plans to cover air traffic operations at all facilities when needed.

Implementing New PBN Flight Procedures and Delivering Benefits to Airspace Users

- FAA's Metroplex program aims to implement performance-based navigation (PBN) to more efficiently manage air traffic in congested metropolitan areas. While FAA has implemented Metroplex at 8 of the 12 selected locations, the Agency does not expect to complete the remaining sites—Denver, Las Vegas, and South/Central Florida—until 2021, 4 years later than originally planned. (FAA canceled one of the 12 sites—Phoenix—due to ongoing lawsuits.)
- FAA still faces challenges with resolving key obstacles to PBN implementation, such as the lack of automated decision support tools for controllers, unclear terminology that pilots and controllers use to refer to flight paths, and the lengthy procedure amendment process.
- FAA and industry identified PBN as a NextGen priority due to its expected benefits to increase efficiency and reduce fuel costs. However, due to design and implementation challenges, Metroplex benefits to airspace users have fallen well short of predictions so far (see figure). In post-implementation reports, FAA estimated annual benefits of $36.3 million, which is $36.6 million (50.2 percent) less than the minimum amount initially expected.
- In our 2019 report, we made recommendations to improve FAA's efforts to resolve PBN obstacles and achieve benefits, including assessing the effectiveness of PBN training for air traffic controllers.

Estimated Annual Benefits at Metroplex Implementation Sites, Pre- and Post-Implementation (in Millions)



Source: OIG analysis of FAA data

For more information on the issues identified in this chapter, please contact:

Matthew E. Hampton
Assistant Inspector General for Aviation Audits
(202) 366-0500 | Matthew.E.Hampton@oig.dot.gov

Recent Progress Reported by the Department

- **ERAM.** FAA continues to replace ERAM's original hardware at 20 sites and is working on a series of enhancements. Of the four OIG recommendations since 2018, FAA has taken action to close three and plans action for the fourth by December 2020.
- **Metroplex.** FAA has completed one additional Metroplex site for a total of eight since we last reported on this project in August 2019. FAA has taken appropriate steps to close three of the report's five recommendations.

Related OIG Work

FAA Has Begun To Update ERAM but Faces Challenges Realizing Full Benefits for Airspace Users (July 29, 2020)

>> 1 recommendation (1 open, 0 closed)

FAA Has Made Progress in Implementing Its Metroplex Program, but Benefits for Airspace Users Have Fallen Short of Expectations (August 27, 2019)

>> 5 recommendations (2 open, 3 closed)

FAA Has Taken Steps To Address ERAM Outages, but Some Vulnerabilities Remain (November 7, 2018)

>> 3 recommendations (2 open, 1 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

SURFACE TRANSPORTATION INFRASTRUCTURE

OAs Impacted
FHWA, FRA, FTA

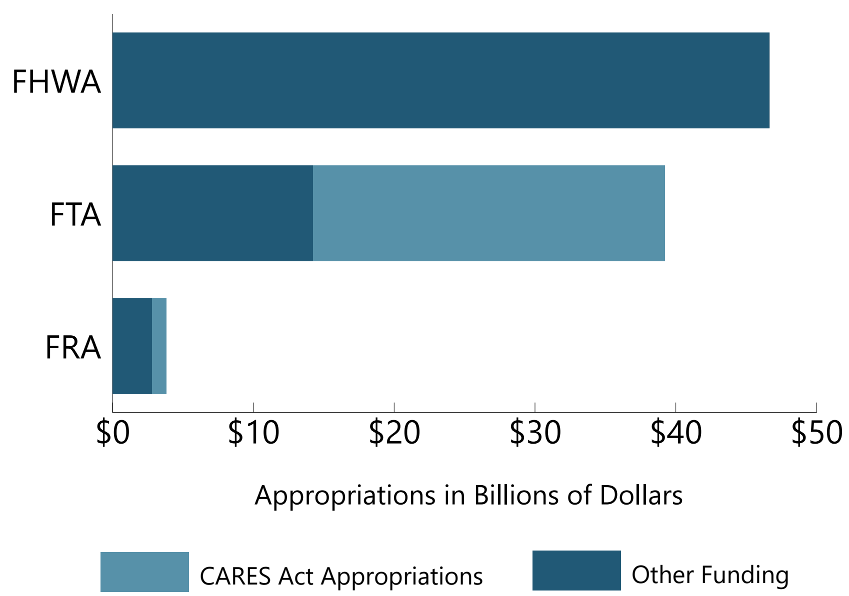
Related DOT Strategic Goals
Infrastructure and Accountability

DOT annually invests over $60 billion through highway, transit, and railroad infrastructure programs that are vital to the American economy and our everyday lives. A significant challenge for DOT is to effectively manage these various programs and ensure that funded projects adhere to Federal requirements, including those funded by the CARES Act. Moreover, due to limited resources and evolving demands, DOT must ensure that States and other grantees use sound asset and performance management practices. These are critical to improve the condition of the Nation's infrastructure and address overall surface transportation needs cost effectively.

Enhancing Oversight of Surface Transportation Projects

- FHWA oversees over $40 billion in annual Federal funds to construct and improve the Nation's highways. To be effective, the Agency must leverage its limited resources to implement its risk-based oversight process and ensure successful project delivery. In May 2020, we reported that FHWA lacked effective guidance for assessing and documenting project risks and developing project oversight plans. We recommended that the Agency improve its guidance for risk-based project involvement.
- FRA needs to continue to strengthen oversight of the hundreds of millions of dollars it annually grants for railroad infrastructure projects. This includes ensuring the proper use of Federal funds and that projects achieve their intended goals. For example, we reported in January 2020 that FRA missed opportunities to better assess and mitigate risks with the California High Speed Rail project, a project with a significant Federal investment.
- To better safeguard and manage risks with Federal disaster relief and infrastructure funds, FTA has opportunities to improve grantee oversight. As we reported in October 2019, chief among them is to ensure that grantees carry flood insurance when required and appropriately use insurance proceeds for recovery projects in the aftermath of a disaster.

DOT Funding for Surface Transportation Agencies for FY2020, Including CARES Act Appropriations



Source: OIG analysis of DOT data

CARES Act Considerations

The CARES Act provides over $26 billion in supplemental appropriations to surface transportation agencies to prevent, prepare for, and respond to COVID-19. These appropriations include $25 billion to FTA and $1 billion to FRA (see figure). To meet Federal requirements and mitigate the impact of COVID-19 on in-person oversight activities, DOT agencies need to adjust existing oversight mechanisms to carry out the act.

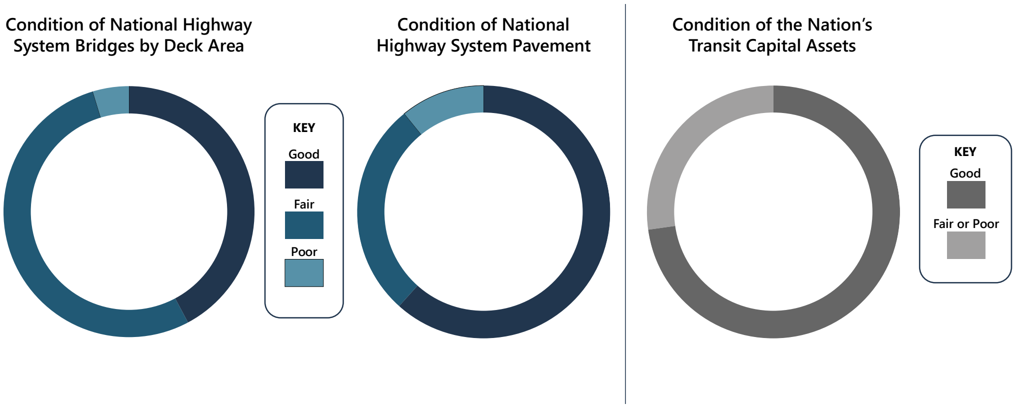
Additionally, losses in non-Federal revenues resulting from COVID-19 may delay higher priority projects or decrease States' and grantees' ability to perform oversight tasks, such as project reviews and other in-person operations.

Employing Effective Asset and Performance Management

- Billions of dollars are needed to tackle pressing infrastructure needs, including the nearly $1 trillion backlog to maintain highway and transit assets. FHWA and FTA will be challenged to ensure that States and transit agencies effectively manage funds to strengthen decision-making and accountability. FHWA and FTA will also need to monitor progress that States and transit agencies make toward various national goals set by Congress, such as improving safety, providing system reliability, promoting environmental sustainability, and reducing project delivery delays. Another key priority is to maintain conditions in a state of good repair. As shown in the figure below, a significant percentage of the Nation's bridges, highways, and transit assets need improvement.

- In 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) required the Department to develop performance measures. It also requires each State and transit agency to develop targets for asset condition and performance and asset management plans. In 2015, the Fixing America's Surface Transportation Act continued emphasizing MAP-21's performance management approach. DOT will need to apply sustained management attention to realize performance-based approaches and be prepared to effectively integrate any related changes in Congress's next reauthorization of surface transportation programs.

Condition of DOT's Surface Transportation Infrastructure



Note: The condition of transit assets, including vehicles, facilities, and track infrastructure, are assessed in different ways to a state of good repair benchmark. For transit assets, the percentage of "good" and "poor or fair" represent those that meet and do not meet the benchmark.

Source: OIG analysis of DOT data

For more information on the issues identified in this chapter, please contact:

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-5630 | David.Pouliott@oig.dot.gov

Recent Progress Reported by the Department

- FHWA is implementing nationwide improvements to its risk-based oversight approach and plans to complete actions on our related recommendations by December 31, 2021.

- In response to our 2020 recommendations, FRA is strengthening project and grant compliance policies and procedures by revising its guidance, project management tools, and monitoring procedures. FRA plans to implement these actions by December 15, 2020.

- FTA has committed to take actions to improve oversight of Hurricane Sandy grantees' compliance with insurance requirements in response to our recommendations by December 31, 2020.

Related OIG Work

Gaps in FHWA's Guidance and the Florida Division's Process for Risk-Based Project Involvement May Limit Their Effectiveness (May 12, 2020)

>> 8 recommendations (8 open, 0 closed)

Improved FRA Decision Making and Financial Oversight Processes Could Have Reduced Federal Risks from the California High-Speed Rail Project (January 22, 2020)

>> 4 recommendations (4 open, 0 closed)

FTA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk (October 30, 2019)

>> 8 recommendations (7 open, 1 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

CONTRACT AND GRANT FUND STEWARDSHIP

OAs Impacted
Departmentwide

Related DOT Strategic Goals
Accountability

In fiscal year 2019, DOT obligated almost $73.6 billion for contracts and grants to support its mission of ensuring our Nation has one of the world's safest, most efficient, and modern transportation systems. In addition to its annual funding for contracts and grants, the CARES Act provided the Department with an additional $36 billion in fiscal year 2020 to distribute for COVID-19 pandemic relief (see figure). DOT must place sustained focus on its contract and grant awards and oversight to ensure these funds are efficiently and effectively spent for their intended purpose and result in the expected quality of services, products, and performance.

Awarding Pandemic Relief and Other DOT Contracts and Grants Efficiently, Effectively, and for Intended Purposes

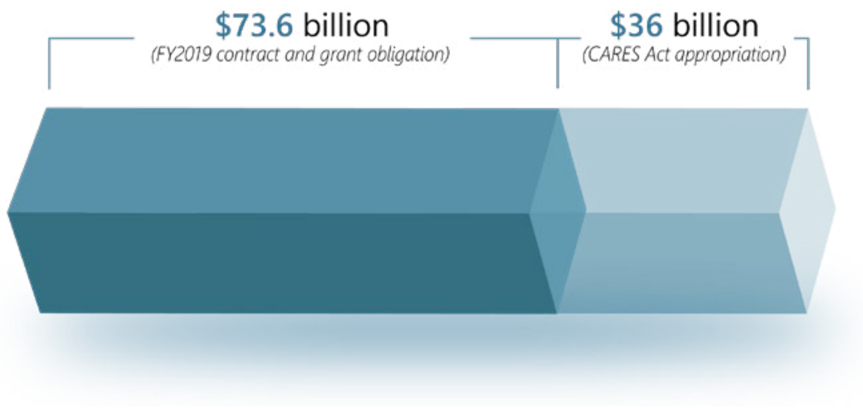
- To achieve efficiency and effectiveness and realize the best value for taxpayers, DOT needs to promote competition to the extent practicable and verify fair and reasonable pricing before agency-funded contracts are awarded. This includes developing sound independent Government cost estimates, conducting price and/or cost analyses, and requiring adequate justification for single bids. Our past work—including oversight of FHWA's American Recovery and Reinvestment Act spending—found key deficiencies in these areas and identified billions in Federal funds at risk. Recently, we assessed FAA's competitive award practices for major acquisition program contracts and recommended that FAA could put up to $4.9 billion in Federal funds to better use by improving its ability to establish contract pricing that is fair, reasonable, and realistic.

- Our previous reviews of DOT and grantee contracting activities also identified issues with the qualifications and training of DOT staff who award funds, as well as recipient staff. Given the significant influx of CARES Act funding and the distinct rules associated with these funds, it is critical that DOT ensure that individuals making agency or recipient awards have the appropriate authority and training to ensure compliance with applicable laws and regulations and that funds are used for intended purposes.

CARES Act Considerations

The CARES Act appropriated $25 billion to FTA, $10 billion to FAA, and $1 billion to FRA to prevent, prepare for, and respond to COVID-19. Most of these funds came with distinct requirements on how they can be used and with a mandate that DOT award them quickly. Our previous emergency and disaster response work demonstrates that providing clear guidance concerning eligibility, training, and focused oversight will be critical to support DOT's proper stewardship and accountability of these funds.

Contract and Grant Administration Burden Added by CARES Act 2020

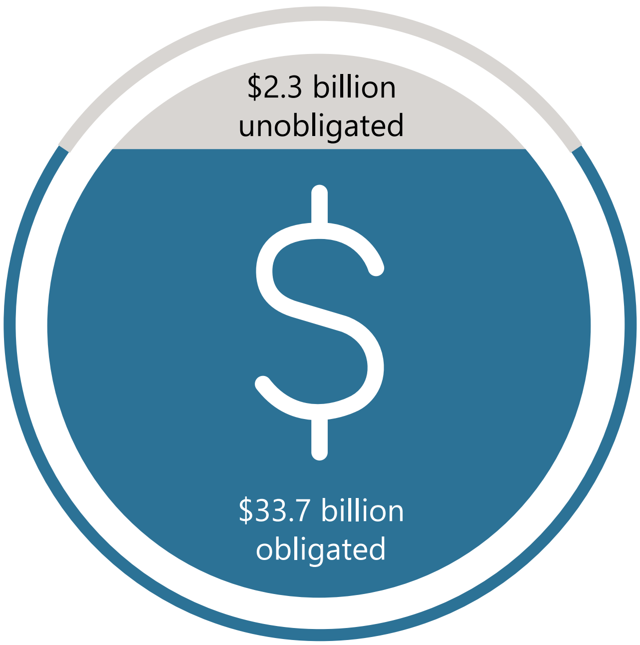


Source: OIG analysis of DOT data

Enhancing Contract and Grant Management and Oversight To Achieve Desired Results and Compliance With Requirements

- The Department's large infusion of CARES Act funding comes on top of its already multibillion-dollar annual contract and grant spending. Thus, it is vital that DOT provide clear direction to contractors and grantees on the requirements surrounding the funding, including expected results. As a key part of this communication, DOT must tell grantees how they are required to document their expenditures.
- Our past work has found that DOT can do more to direct grantees to provide supporting documentation for their reimbursement requests and reviews to avoid improper payments and to ensure review recommendations are tracked and resolved. Finally, given the Department's limited resources, focusing its grant and contract oversight according to risk will be critical.

DOT Progress in Obligating CARES Act Appropriations as of September 28, 2020



Source: DOT

For more information on the issues identified in this chapter, please contact:

Mary Kay Langan-Feirson
Assistant Inspector General for Acquisition and Procurement Audits
(202) 366-5225 | MaryKay.Langan-Feirson@oig.dot.gov

Recent Progress Reported by the Department

- DOT is swiftly distributing the $36 billion provided by the CARES Act (see figure). DOT reported that as of September 28, FTA had obligated over $23 billion of the $25 billion appropriated, FAA had obligated over $9.3 billion of the $10 billion appropriated, and FRA had obligated all $1 billion appropriated.
- FAA has taken corrective actions to address five of our recommendations to improve compliance with Agency requirements relating to noncompetitive awards and reduce their overall use.

Related OIG Work

FAA Competitive Award Practices Expose Its Major Program Contracts to Cost and Performance Risks (March 9, 2020)

>> 10 recommendation (10 open, 0 closed)

FAA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk (October 30, 2019)

>> 8 recommendations (7 open, 1 closed)

FTA Has an Opportunity To Improve the Integrity Monitor Program for Hurricane Sandy Grantees (September 9, 2019)

>> 8 recommendations (7 open, 1 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

INFORMATION SECURITY

OAs Impacted
Departmentwide

Related DOT Strategic Goals
Innovation, Accountability

DOT relies on over 450 information systems to carry out its mission, which includes safely managing air traffic control operations and administering billions of dollars. However, the Department faces challenges in strengthening oversight to address longstanding cybersecurity weaknesses. Addressing internal control weaknesses will be key to protect information and systems from attacks and other compromises that may pose risks to safety or taxpayer dollars, including DOT's large infusion of CARES Act funding. To better mitigate risks, DOT must also develop policy to validate the proper adoption and security of internet-based cloud computing services.

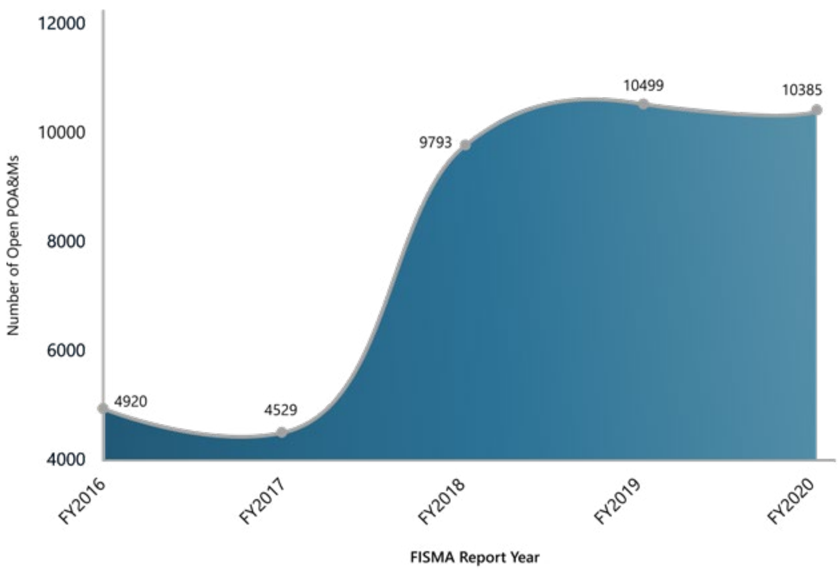
Addressing Longstanding Cybersecurity Weaknesses

- DOT must resolve the 51 open recommendations identified through our 2020 Federal Information Security Management Act (FISMA) audit. This includes addressing the risk associated with the 10,385 security weaknesses identified in DOT's plans of actions and milestones (POA&Ms; see figure). The Department did not enforce requirements with Operating Administrations regarding completing POA&Ms, including establishing target completion dates, monitoring progress, and ensuring timely remediation of weaknesses. Last year, we also recommended that DOT better document the reasons for closing POA&Ms once they are complete.

- Since 2010, we have identified weaknesses in DOT's annual security training process. Initially, DOT's policies and procedures were not sufficiently developed to guide Operating Administrations in identifying, tracking, and validating contractors' required annual security training. DOT has yet to identify and implement automated tools to better track contractors and training requirements.

- Since 2011, we have also identified weaknesses in DOT's contingency planning. In 2019 we reported that DOT needed to work with the Operating Administrations' chief information officers to remediate identified weaknesses in contingency plans and Business Impact Analysis, such as missing information, lack of timely review, and inadequate approvals.

Total Number of Open POA&Ms* Departmentwide Since 2016



Source: OIG analysis of DOT data
*Open POA&Ms are security weaknesses that DOT has identified but not yet resolved, such as those discussed in this chapter.

CARES Act Considerations

- The Department uses multiple financial management information systems, such as DOT's Delphi and FTA's TrAMS, for processing and monitoring billions of dollars in CARES ACT grants, as well as distributing payments. Given the significant influx in funds and their rapid distribution, DOT must minimize the risk of compromise or outages of these systems.

- DOT will need to take steps to ensure the confidentiality, availability, and integrity of its financial management information systems to effectively manage and oversee these CARES Act funds.

Developing Departmentwide Policy To Validate the Proper Adoption and Security of Cloud Services

- Over the past decade, Federal agencies have increasingly used internet-based computing services (commonly referred to as cloud services) to address their information technology needs. DOT has begun adopting cloud computing for transportation management services across its various Operating Administrations. However, securing information stored in the cloud from cyberattacks poses significant challenges.

- Since 2015, DOT has yet to establish Federal Risk and Authorization Management Program (FedRAMP) compliance guidelines and oversight for the Department and ensure that each Operating Administration puts plans in place to meet FedRAMP requirements on how to securely adopt and manage the use of cloud services. FedRAMP is a Governmentwide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud-based services.

- Furthermore, several Operating Administrations employed cloud services but did not ensure the cloud providers adhered to FedRAMP requirements before authorizing them for use. According to DOT, the Department is not currently funded at a level to ensure that all cloud service providers in use are FedRAMP-authorized. The Department also does not have a complete inventory of cloud services authorized by each Operating Administration. Until DOT establishes and oversees these requirements, DOT's information and systems may face increased vulnerability to cyber attacks.

For more information on the issues identified in this chapter, please contact:

Kevin Dorsey
Assistant Inspector General for Information Technology Audits
(202) 366-1518 | Kevin.Dorsey@oig.dot.gov

Recent Progress Reported by the Department

- In 2018, the DOT Office of the Chief Information Officer established a shared services initiative—Destinations DIGITAL—which focuses on streamlining commodity IT services so resources can be redirected to support DOT's mission.

- The purpose of Destinations DIGITAL is to prioritize safety, innovation, and infrastructure as the Department moves towards shared services.

- DOT has established nine goals associated with Destinations DIGITAL, such as delivering best-in-class IT service, optimizing administration and contracts, and advancing transportation cybersecurity.

Related OIG Work

FAA Lacks Sufficient Security Controls and Contingency Planning for Its DroneZone System (April 20, 2020)

>> 13 recommendation (13 open, 0 closed)

Quality Control Review of the Independent Auditor's Report on DOT's Information Security Program and Practices (October 23, 2019)

>> 14 recommendations (12 open, 2 closed)

FISMA 2018: DOT's Information Security Program and Practices (March 20, 2019)

>> 12 recommendations (12 open, 0 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

FINANCIAL MANAGEMENT

OAs Impacted
Departmentwide

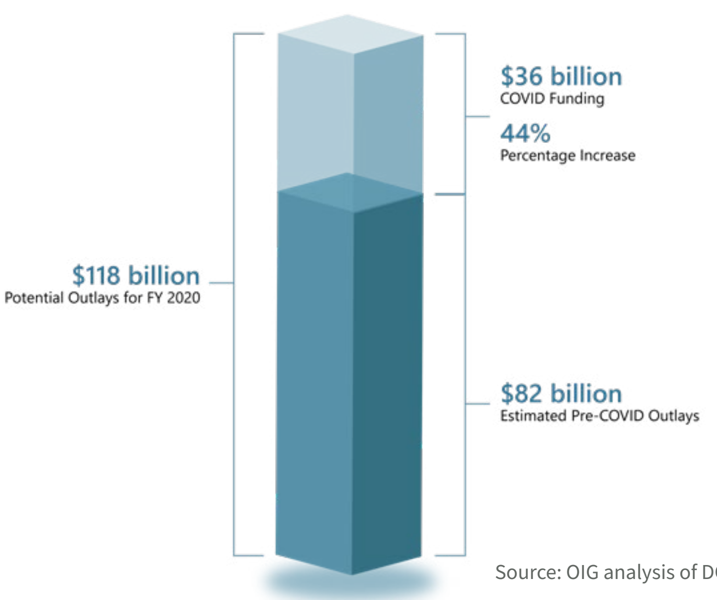
Related DOT Strategic Goals
Accountability

The recent influx of new grant funding may present financial management challenges for the Department. On an annual basis, DOT typically disburses about $82 billion in cash. With the CARES Act, DOT will have the potential to outlay $118 billion—a 44-percent increase from the prior year (see figure). Although the Department has made progress in its financial management, such as reducing improper payments, DOT will now have to monitor significantly more grants and grantees to continue reducing improper payments and to comply with the Digital Accountability and Transparency Act (DATA Act), which requires agencies to improve reporting on spending.

Strengthening Procedures To Monitor and Report Grantee Spending

- Ensuring that grantees properly report their spending is key to monitoring and overseeing Federal funds. The DATA Act establishes Governmentwide standards for financial data reporting and requires agencies to provide accurate and searchable data on grantee spending for policy makers and the public.
- Our recent review of DOT's implementation of the DATA Act found that although the quality of DOT's data was considered "higher," some required contract and grant award data were not submitted completely, accurately, or timely. For example, we reported that the Department of Treasury's DATA Act Broker system identified four errors that were not considered significant enough to prevent reporting but should be resolved for accuracy. To enhance oversight, we recommended that DOT implement a formal quarterly review process to ensure the Department investigates such errors and documents actions to address them.
- Handling the recent significant grant activity increase may result in a recurrence of related DATA Act reporting issues. To help mitigate risks and enhance accountability as DOT quickly disburses CARES Act funds, it will be critical to implement data quality procedures for improving DATA Act reporting.

COVID-Related Increase in Outlays



Source: OIG analysis of DOT data

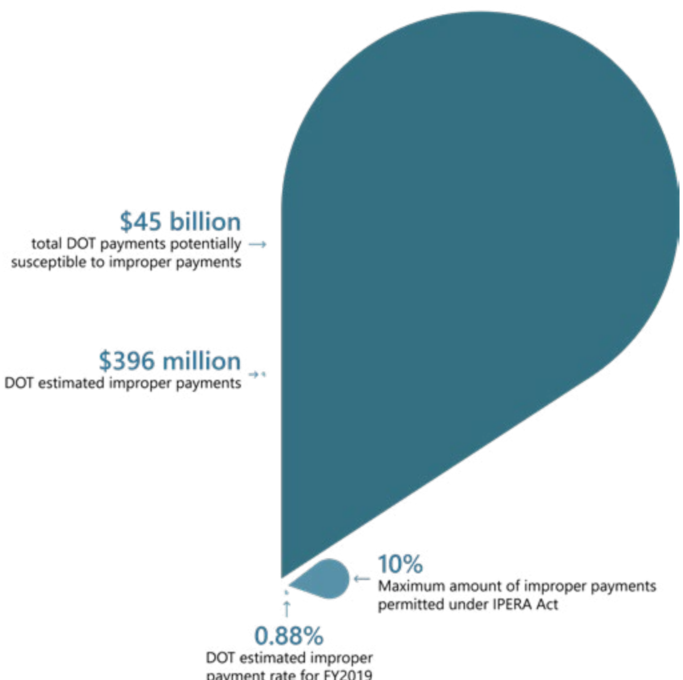
CARES Act Considerations

- Grants are typically paid using cash, which has high inherent risk because of the potential of theft and misappropriation. This increase in cash and related transactions, resulting from the CARES Act, significantly augments this risk.
- The increased workload placed on staff who are processing these funds further increases this risk. For example, a supervisor who reviews transactions may need to review more transactions in less time, potentially diminishing review quality and increasing the risk of improper payments.

Preventing an Increase in Improper Payments

- Detecting and avoiding improper payments is critical to ensure that grantees spend funds as intended and meet Federal requirements. The Improper Payments Elimination and Recovery Act (IPERA) requires agencies to report improper payment estimates for susceptible programs.
- We recently reported that the Department has successfully reduced its improper payment rates (on tested programs) to under 1 percent—well under the Office of Management and Budget's target of 10 percent.
- However, the increase in grant-related transactions from the CARES Act without a matching increase in resources or processing time increases the risk of errors, particularly in controls that require human intervention, such as manually reviewing transactions.
- Strengthening DOT's procedures will help reduce the risk of future improper payments. For example, after finding that an FHWA program was susceptible to improper payments, we recommended in April 2020 that FHWA develop a process to detect grantees who have not reduced improper payments within the last 3 years. We also recommended implementing procedures to review the root causes for those grantees' improper payments to better implement effective corrective actions. These actions can help ensure DOT grant funds are put to their best use.

Improper Payments Identified in Our Fiscal Year 2019 IPERA Review



Source: OIG analysis of DOT data

For more information on the issues identified in this chapter, please contact:

Louis C. King
Assistant Inspector General for Financial Audits
(202) 366-1407 | Louis.King@oig.dot.gov

Recent Progress Reported by the Department

- The Department's most recent DATA Act audit showed an improvement in DOT's reporting. Although the audit noted some concerns, it found that DOT's data quality was "higher."
- Over the last decade, the Department has considerably improved its IPERA reporting results and is currently compliant with IPERA requirements.

Related OIG Work

DOT's Fiscal Year 2019 IPERA Compliance Review (April 27, 2020)

>> 2 recommendation (2 open, 0 closed)

Quality Control Review of the Independent Auditor's Report on the Department of Transporation's Audited Consolidated Financial Statements for Fiscal Years 2019 and 2018 (November 18, 2019)

>> 8 recommendations (8 open, 0 closed)

Quality Control Review of the Independent Auditor's Review of DOT's DATA Act Implementation (October 29, 2019)

>> 4 recommendations (4 open, 0 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

INNOVATION AND THE FUTURE OF TRANSPORTATION

OAs Impacted
FAA, FHWA, FMCSA, FRA, FTA, NHTSA

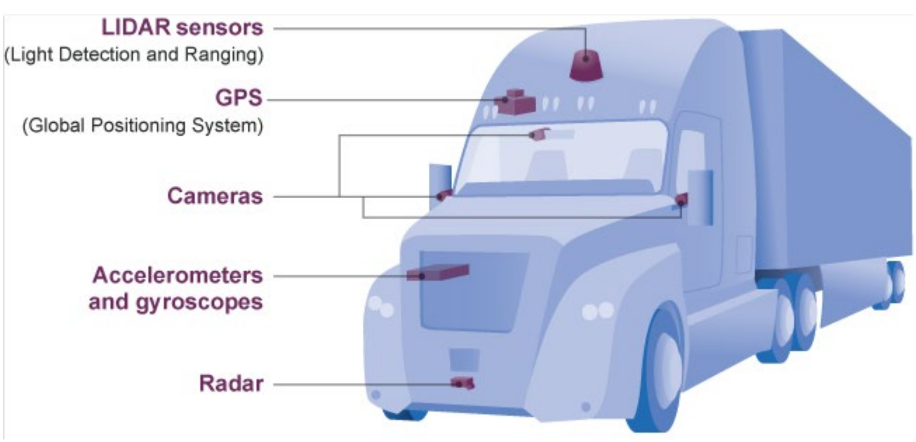
Related DOT Strategic Goals
Innovation, Safety

A top DOT priority is to guide the country into the future of transportation through innovation. Emerging technologies and innovative approaches to such areas as financing and project delivery will ultimately transform how DOT carries out its mission, shapes its workforce, and deploys resources. One immediate challenge is stewarding the fast pace and scope of emerging technologies in vehicle automation and Unmanned Aircraft Systems (UAS) as they are integrated into our Nation's transportation system. These technologies have the potential for long-term benefits but also pose new safety, oversight, and regulatory challenges.

Adapting Oversight Approaches for Emerging Vehicle Automation Technologies

- DOT has developed proactive approaches and guidance related to automated vehicles. As the technology evolves, DOT will need to apply lessons learned and the results of new data analyses to integrate these systems safely into transportation networks.
- The Department will also face a significant challenge to develop standards and test new tools that might be necessary to oversee and regulate these emerging technologies.
- As these new technologies evolve, DOT will need to likewise assess and oversee the impact on surface infrastructure. This includes planning asset investments; implementing pilot programs and testing; and interfacing roads, traditional vehicles, pedestrians, and other road users with automated vehicles.
- While the Department has taken initial steps to collaborate with the automobile industry, academic institutions, technology firms, and State and local agencies to develop vehicle-to-everything technologies, much work remains to fully deploy the products of those collaborations. However, uncertainty remains regarding the availability of the 5.9GHZ Safety Band, which is critical for successful deployment.

Examples of Automated Vehicle Technologies for Commercial Trucks



Source: Government Accountability Office (GA0 Report No. GAO-19-161)

CARES Act Considerations

- While the CARES Act did not contain any specific funding for innovation initiatives, COVID-19 could have long-term effects on our transportation system, as some innovations may develop to address evolving needs. For example, perceived risks from human contact could increase demand for automated vehicles. Alternatively, as more employers embrace telework, ridership on both public transit and roads may decrease, stimulating demand for innovative financing approaches.
- The COVID-19 emergency has also increased the sense of urgency for FAA to approve integrated and expanded use of UAS (i.e., drones) into daily life, such as delivery of medical goods and supplies.

Ensuring the Safe Integration of UAS in the National Airspace System

- The demand for advanced UAS technology continues to climb. Since issuing a rule permitting small UAS operations in 2016, FAA has issued more than 4,000 waivers for operations that are restricted under the rule. However, while these types of operations, such as flying at night, are valued by industry, they are considered high-risk by FAA (see figure).
- We reported that obtaining waivers can be a lengthy process. FAA acknowledged the need for additional rulemaking on issues such as remote identification, which should accelerate approval of more complex operations, including package delivery and flying beyond line of sight. However, while the Agency plans to issue the final rule by the end of 2020, FAA is still addressing over 50,000 public comments on the Notice of Proposed Rulemaking.
- To accelerate safe UAS integration into the National Airspace System, FAA partnered with private and Government entities through the Integration Pilot Program. However, the 3-year program is set to end in October 2020, and FAA has not yet reported any lessons learned from this effort. According to the Department, the Secretary plans to submit a report to the President in January 2021. FAA faces challenges moving forward to create the new rules as well as the continued need to process waivers.

Small UAS Rule Provisions Subject to Waiver

Operations From a Moving Vehicle (§ 107.25)	Daylight Operation (§ 107.29)
Visual Line of Sight (§ 107.31)	Visual Observer (§ 107.33)
Operations of Multiple Small UAS (§ 107.35)	Yielding Right of Way (§ 107.37a)
Operations Over People (§ 107.39)	Operations in Certain Airspace (§ 107.41)
Maximum Ground Speed (§ 107.51a)	Maximum Altitude (§ 107.51b)
Minimum Flight Visibility (§ 107.51c)	Cloud Minimum (§ 107.51d)

Source: OIG analysis of Federal UAS regulations (14 CFR § 107.205, List of regulations subject to waiver)

For more information on the issues identified in this chapter, please contact:

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-5630 | David.Pouliott@oig.dot.gov

Matthew E. Hampton
Assistant Inspector General for Aviation Audits
(202) 366-0500 | Matthew.E.Hampton@oig.dot.gov

Recent Progress Reported by the Department

- In 2019, DOT launched the Non-Traditional and Emerging Transportation Technology (NETT) Council to identify and resolve jurisdictional and regulatory gaps for new technologies. In July 2020, the NETT Council released *Pathways to the Future of Transportation,* which sets forth a DOT framework for engaging emerging technologies and innovators.
- FAA published a Notice of Proposed Rulemaking for UAS Remote Identification in December 2019. FAA defines Remote ID as the ability of a UAS in flight to provide identification and location information that other parties can receive.
- Since 2014, we have closed all 25 of our UAS-related recommendations, including requiring UAS operator inspections and enhanced guidance.

Related OIG Work

Opportunities Exist for FAA To Strengthen Its Review and Oversight Processes for Unmanned Aircraft System Waivers (November 7, 2018)

>> 8 recommendations (0 open, 8 closed)

FAA Lacks a Risk-Based Oversight Process for Civil Unmanned Aircraft Systems (December 1, 2016)

>> 6 recommendations (0 open, 6 closed)

FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System (June 26, 2014)

>> 11 recommendations (0 open, 11 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

U.S. Department of Transportation
Office of the Secretary of Transportation

Memorandum

Date: October 08, 2020

Subject: **INFORMATION:** Management Response to the Office of Inspector General (OIG) Draft Report: DOT's Fiscal Year (FY) 2021 Top Management Challenges

From: John E. Kramer *John Kramer*
Chief Financial Officer and
Assistant Secretary for Budget and Programs

To: Howard R. "Skip" Elliott Acting Inspector General

The OIG's FY 2021 Top Management Challenges report identified many of the risks for the Department of Transportation (DOT or Department) that DOT continues to address in pursuit of its mission of keeping America's transportation systems safe, even with the unprecedented challenges presented by the Coronavirus Disease 2019 (COVID-19) public health emergency. Safety is the core of DOT's mission and is always the Department's number one priority. The Nation's unparalleled safety record in transportation reflects the willingness to embrace hard lessons and to seek continuous improvement.

The Department is committed to aviation safety such as taking the necessary steps to ensure that the Unmanned Aircraft Systems (UAS) industry can integrate into the National Airspace System. DOT will enable the widest possible benefits for this system while still ensuring it meets the public's high safety expectations and addresses the needs of communities where they are employed. In addition, the Department transitioned the UAS Integrated Pilot Program to a new iteration that will challenge participants to solve barriers through scalable solutions suitable for regulations. Furthermore, FAA has developed a comprehensive action plan that addresses certification recommendations received by the agency through rulemaking, policy, staff, data, and external partnership efforts. The Joint Authorities Technical Review, commissioned by FAA, was the first review to be completed. This review included conducting a thorough assessment of the certification of the automated flight control system on the Boeing 737 MAX, which FAA led in collaboration with nine other civil aviation authorities.

INSPECTOR GENERAL'S FY 2021 TOP MANAGEMENT CHALLENGES (continued)

The Department's efforts in enhancing surface transportation safety include the Federal Motor Carrier Safety Administration (FMCSA) hosting its 2020 Trucking Safety Summit virtually on August 5 to bring stakeholders to share ideas on improving trucking safety. The meeting brought together motor carriers, drivers, safely technology developers and users, Federal and State partners, and safety advocacy groups – as well members of the public to ensure safeguards and protections are thoroughly vetted. This kind of continued collaborative interaction with the Department's stakeholders is a key to making greater strides in improving transportation safety. The Department's determination to support innovation includes emerging technologies such as automated vehicle (AV) technology that has the potential to save thousands of lives every year, improving the quality of life through reduced traffic congestion and increased productivity. In January 2020, DOT released "AV 4.0 – Ensuring American Leadership in Automated Vehicle Technologies" unifying efforts across 38 Federal departments, independent agencies, commissions, and Executive Offices of the President. DOT continues to encourage development of better and safer transportation technologies. DOT is actively engaged to ensure the integration of AV technologies advances safety, mobility, and other important goals that will benefit the American People.

The Department's improvement in infrastructure includes the development and release of the first-ever National Freight Strategic Plan (NFSP) through a multi-agency effort involving extensive consultation with freight stakeholders in both the public and private sectors. The Department will use it to guide National freight policy, programs, initiatives, and investments. The Plan will also be used to inform State freight plans and identify freight data and research needs. The NFSP lays out a vision for long-term investments in infrastructure, the workforce, and other essential parts of the freight system. This plan provides a clear path to improve the safety, security, and resilience of the National freight system and details how the Department can modernize freight infrastructure and operations to grow the economy and increase competitiveness.

The Department continues to support investment in the Nation's infrastructure, while also providing thorough attention, accountability, and oversight of these investments. For example, in February 2020, DOT published a Notice of Funding Opportunity (NOFO) for applicants to apply for $1 billion discretionary grant funding through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program. These grants are for planning and capital investments in surface transportation infrastructure and can support roads, bridges, transit, rail, ports or intermodal transportation. To address the needs of rural America, DOT intends to award 50 percent of BUILD Transportation grant funding to projects located in rural areas that deliver positive benefits for these communities, consistent with the Department's Rural Opportunities to Use Transportation for Economic Success (R.O.U.T.E.S.) Initiative to address disparities in rural transportation infrastructure to improve safety and economic competitiveness in all parts of the country. In addition, FAA recently rolled out FY 2020's last tranche of Airport Improvement Program (AIP)

INSPECTOR GENERAL'S FY 2021 TOP MANAGEMENT CHALLENGES (continued)

grant funding in September 2020 along with the announcement of a total of nearly $1.2 billion in airport safety and infrastructure grants to 405 airports that will fund improvements of the Nation's airport infrastructure, enhance safety, and strengthen growth in local communities, which is especially important as the economy deals with the repercussions of the COVID-19 public health emergency.

To promote accountability, the Department continues to use standard best practices that include the internal controls necessary for prudently awarding, managing, and reporting on contracts, grants, loans, and other forms of assistance. By advanced planning and implementing the lessons learned from previous challenging situations, DOT continues to ensure that every dollar spent is used to the maximum benefit of the taxpayer. With the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020, the Department received an additional $37.1 billion to address the needs of selected transportation programs impacted by the COVID-19 public health emergency. The Department's work to make funds quickly available to grantees was very important in maintaining critical operations and employment in the vital transit, passenger rail, and airline industries. As of October 5, 2020, the Department has obligated 93 percent of its CARES Act funding. DOT continues to monitor funds, to ensure they are properly spent, and to report to the many stakeholders and oversight entities on how these funds were used.

We expect OIG to be a partner in these efforts, and the Department will work with OIG to identify fraud, waste, abuse, or mismanagement in the Department's programs, activities, or operations.

We appreciate the opportunity to respond to the OIG draft report. Please contact Madeline M. Chulumovich, Director, Office of Audit Relations and Program Improvement, at (202) 266-6512, with any questions.

PAYMENT INTEGRITY INFORMATION ACT REPORTING

DOT, as a steward of taxpayer dollars, exercises rigorous management and oversight over its program expenditures. DOT's Payment Integrity Center is responsible for coordinating improper payment (IP) reviews, reporting results, and monitoring the progress of corrective actions in accordance with Payment Integrity Information Act of 2019 (PIIA; P.L. 116-117) and OMB Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*. The Department reports the results of its FY 2020 IP reviews on OMB's website: https://paymentaccuracy.gov/.

I. PAYMENT ACCURACY REPORTING

PIIA defines a program or activity as susceptible to significant IPs when annual IPs exceed 1.5 percent and $10 million of outlays, or $100 million of outlays regardless of the error rate. FHWA's Highway Planning and Construction (HPC) program is the only DOT program or activity that is susceptible to significant IPs and subject to the FY 2020 PIIA reporting requirements. The FY 2020 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid along with reduction targets for the FHWA HPC program.

FY 2020 PAYMENT ACCURACY RESULTS

Dollars in Millions

Program or Activity	Outlays[(1)]	Estimated Proper Payment Amount	Proper Payment Rate	Estimated Improper Payment Amount	Improper Payment Rate	FY 2020 Reduction Target Rate	FY 2021 Reduction Target Rate
FHWA HPC[(2)]	$46,083.81	$45,911.75	99.63%	$172.06	0.37%	0.85%	0.80%

[(1)] Outlays represent the payment populations sampled to estimate IPs. For FY 2020 testing, the program or activity reviewed payments made from October 1, 2018 to September 30, 2019.
[(2)] Program or activity includes Disaster Relief Appropriation Act of 2013 and Bipartisan Budget Act of 2018 payments.

In addition to estimating IPs, the Department performed 34 IP risk assessments of its programs, conducted a payment recapture audit, and screened payments against the Do Not Pay databases. Federal personnel within DOT's Payment Integrity Center performed the payment recapture audit. More information on the Department's FY 2020 IP reviews is located on OMB's website: https://paymentaccuracy.gov/.

II. FRAUD REDUCTION REPORT

The Department is committed to preventing and detecting fraud within its programs and is taking steps to implement a fraud risk management program. Our phased approach enables us to utilize a maturity model to build out and adapt the program over time. The three phases of our plan to implement PIIA requirements include:

- Phase 1: Develop DOT's Fraud Risk Management Implementation Plan
- Phase 2: Establish DOT's Fraud Risk Management Program
- Phase 3: Implement DOT's Fraud Risk Management Framework

[(1)] FHWA's HPC program supports State and local governments in the design, construction, and maintenance of the Nation's highway system. Additionally, the program includes emergency relief funds for the repair or reconstruction of highways and roads which have suffered serious damage because of natural disasters or catastrophic failures from external causes.

During FY 2020, we focused on phase two of our Fraud Risk Management Implementation Plan by incorporating fraud risk as part of the Department's process improper payments risk assessment and business process review frameworks. We also collected and analyzed purchase and travel card data for potential misuse. We are evaluating the results of our assessments and data analytics to enhance DOT strategies and procedures to mitigate the risk of fraud.

Historically, when fraud occurs with departmental funds, it routinely involves grant funds. The primary sources of grant-related fraud confirmed in FY 2020 were in the Disadvantaged Business Enterprise (DBE) program, and false claims made on infrastructure projects administered by grant recipients where Federal funds comprised a portion of the project funding. The Department acknowledges that this is an area with persistent fraud and is working to prevent fraud in the DBE program by providing oversight, guidance, and technical assistance to recipients federal funding. Further, the Department adheres to Federal suspension and debarment regulations to prevent irresponsible parties from receiving federally funded grant awards.

The Department reported $5.5 million of confirmed fraud in FY 2020 within our programs compared to an enacted budget more than $87 billion. Besides grant-related activity, we did not identify significant amounts of confirmed fraud in FY 2020 related to payroll, beneficiary payments, large contracts, or charge cards. We will continue monitor the financial and administrative controls over these activities as we implement our fraud risk management program.

REAL PROPERTY

DOT owns or leases thousands of real property assets including land parcels, space in commercial and General Services Administration (GSA) buildings, roads, bridges, parking lots, and structures to house equipment. The majority of DOT's real property assets are dedicated to the work conducted for aviation research, administration, navigation, communication, and other ancillary functions.

For additional information, the DOT's Federal Real Property Public Data Set is available on GSA's website at: https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-profile-frpp/federal-real-property-public-data-set.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

On November 2, 2015, the President signed the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"). The 2015 Act amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect.

The 2015 Act requires agencies to report on civil monetary penalty adjustments annually.

The following table shows the civil penalties that the DOT may impose, the authority for imposing the penalty, year penalty was enacted or adjusted by Congress, the latest year of inflation adjustments, current penalty level, DOT Operating Administration (OA) that is responsible for the penalty, and the location for additional penalty adjustment details.

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
33 U.S.C. 1232	Maximum civil penalty for each violation of the Seaway Rules and Regulations at 33 CFR part 401	1978	2020	$95,881	Saint Lawrence Seaway Development Corporation (SLSDC)	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes	2003	2020	$34,777	Office of the Secretary of Transportation (OST)	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes involving an individual or small business concern	2003	2020	$1,530	OST	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(A)	Civil penalties for individuals or small businesses for violations of most provisions of Chapter 401 of Title 49, including the anti-discrimination provisions of sections 40127 and 41705 and rules and orders issued pursuant to these provisions	2003	2020	$13,910	OST	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(C)	Civil penalties for individuals or small businesses for violations of 49 U.S.C. 41719 and rules and orders issued pursuant to that provision	2003	2020	$6,955	OST	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(D)	Civil penalties for individuals or small businesses for violations of 49 U.S.C. 41712 or consumer protection rules and orders issued pursuant to that provision	2003	2020	$3,478	OST	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2020	$908	Federal Railroad Administration (FRA)	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Ordinary maximum rail safety penalty	2008	2020	$29,707	FRA	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2020	$118,826	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2020	$502	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2020	$83,439	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2020	$194,691	FRA	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2020	$1,112	Federal Motor Carrier Safety Administration (FMCSA)	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2020	$11,125	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (a) Out-of-service order (operation of CMV by driver)	1990	2020	$1,928	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7))	Appendix A IV (b) Out-of-service order (requiring or permitting operation of CMV by driver)	1990	2020	$19,277	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (c) Out-of-service order (operation by driver of CMV or intermodal equipment that was placed out of service)	1990	2020	$1,928	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (d) Out-of-service order (requiring or permitting operation of CMV or intermodal equipment that was placed out of service)	1990	2020	$19,277	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)	Appendix A IV (e) Out-of-service order (failure to return written certification of correction)	1990	2020	$964	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(F)	Appendix A IV (g) Out-of-service order (failure to cease operations as ordered)	2012	2020	$27,813	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (h) Out-of-service order (operating in violation of order)	1984	2020	$24,441	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A) and (b)(7))	Appendix A IV (i) Out-of-service order (conducting operations during suspension or revocation for failure to pay penalties)	1998	2020	$15,691	FMCSA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 521(b)(7)	Appendix A IV (j) (conducting operations during suspension or revocation)	1984	2020	$24,441	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2020	$1,292	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2020	$12,919	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2020	$12,919	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2020	$15,691	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2020	$3,923	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (first conviction)	2005	2020	$3,230	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (second or subsequent conviction)	2005	2020	$6,460	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2020	$5,833	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (b)(1): Special penalties pertaining to violation of out-of-service orders (first conviction)	2005	2020	$3,230	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (b)(1) Special penalties pertaining to violation of out-of-service orders (second or subsequent conviction)	2005	2020	$6,460	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b)(2) Employer violations pertaining to knowingly allowing, authorizing employee violations of out-of-service order (minimum penalty)	1986	2020	$5,833	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(C)	Appendix B (b)(2) Employer violations pertaining to knowingly allowing, authorizing employee violations of out-of-service order (maximum penalty)	2005	2020	$32,297	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(j)(2)(B)	Appendix B (b)(3) Special penalties pertaining to railroad-highway grade crossing violations	1995	2020	$16,743	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2020	$17,213	FMCSA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 5123(a)(1)	Appendix B (e)(1) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (transportation or shipment of hazardous materials)	2012	2020	$83,439	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(3)	Appendix B (e)(2) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)--minimum penalty	2012	2020	$502	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(2): Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)--maximum penalty	2012	2020	$83,439	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(3) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (packaging or container)	2012	2020	$83,439	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(4): Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (compliance with FMCSRs)	2012	2020	$83,439	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(2)	Appendix B (e)(5) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (death, serious illness, severe injury to persons; destruction of property)	2012	2020	$194,691	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(F)	Appendix B (f)(1) Operating after being declared unfit by assignment of a final "unsatisfactory" safety rating (generally)	2012	2020	$27,813	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (f)(2) Operating after being declared unfit by assignment of a final "unsatisfactory" safety rating (hazardous materials)--maximum penalty	2012	2020	$83,439	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(2)	Appendix B (f)(2): Operating after being declared unfit by assignment of a final "unsatisfactory" safety rating (hazardous materials)--maximum penalty if death, serious illness, severe injury to persons; destruction of property	2012	2020	$194,691	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(1): Violations of the commercial regulations (CR) (property carriers)	2012	2020	$11,125	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2020	$11,125	FMCSA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 14901(a)	Appendix B (g)(3) Violations of the CRs (passenger carriers)	2012	2020	$27,813	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(4) Violations of the CRs (foreign motor carriers, foreign motor private carriers)	2012	2020	$11,125	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the CRs (foreign motor carriers, foreign motor private carriers before implementation of North American Free Trade Agreement land transportation provisions)—maximum penalty for intentional violation[1]	1999	2020	$15,299	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the CRs (foreign motor carriers, foreign motor private carriers before implementation of North American Free Trade Agreement land transportation provisions)—maximum penalty for a pattern of intentional violations	1999	2020	$38,250	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(b)	Appendix B (g)(6) Violations of the CRs (motor carrier or broker for transportation of hazardous wastes)—minimum penalty	2012	2020	$22,251	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(b)	Appendix B (g)(6) Violations of the CRs (motor carrier or broker for transportation of hazardous wastes)—maximum penalty	2012	2020	$44,501	FMCSA	https://www.federalregister.gov/
I49 U.S.C. 14901(d)(1)	Appendix B (g)(7): Violations of the CRs (HHG carrier or freight forwarder, or their receiver or trustee)	1995	2020	$1,673	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(e)	Appendix B (g)(8) Violation of the CRs (weight of HHG shipment, charging for services)—minimum penalty for first violation	1995	2020	$3,349	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(e)	Appendix B (g)(8) Violation of the CRs (weight of HHG shipment, charging for services) subsequent violation	1995	2020	$8,372	FMCSA	https://www.federalregister.gov/
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2020	$167,433	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—first violation	1995	2020	$334	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—subsequent violations	1995	2020	$418	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(1)	Appendix B (g)(12): Tariff violations (freight forwarders)—maximum penalty for first violation	1995	2020	$838	FMCSA	https://www.federalregister.gov/

[1] Section (g)(5) is revised to reflect the termination of the North American Free Trade Agreement and the adoption of the United States Mexico Canada Agreement (USMCA), which came into effect July 1, 2020. FMCSA is examining its regulations and considering what additional revisions, if any, are needed in light of USMCA.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 14904(b)(1)	Appendix B (g)(12): Tariff violations (freight forwarders)—maximum penalty for subsequent violations	1995	2020	$3,349	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(2)	Appendix B (g)(13): Service from freight forwarder at less than rate in effect—maximum penalty for first violation	1995	2020	$838	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(2)	Appendix B (g)(13): Service from freight forwarder at less than rate in effect—maximum penalty for subsequent violation(s)	1995	2020	$3,349	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14905	Appendix B (g)(14): Violations related to loading and unloading motor vehicles	1995	2020	$16,743	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901	Appendix B (g)(16): Reporting and recordkeeping under 49 U.S.C. subtitle IV, part B (except 13901 and 13902(c))—minimum penalty	2012	2020	$1,112	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14907	Appendix B (g)(16): Reporting and recordkeeping under 49 U.S.C. subtitle IV, part B—maximum penalty	1995	2020	$8,372	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14908	Appendix B (g)(17): Unauthorized disclosure of information	1995	2020	$3,349	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14910	Appendix B (g)(18): Violation of 49 U.S.C. subtitle IV, part B, or condition of registration	1995	2020	$838	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14905	Appendix B (g)(21)(i): Knowingly and willfully fails to deliver or unload HHG at destination	1995	2020	$16,743	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(d)(2)	Appendix B (g)(22): HHG broker estimate before entering into an agreement with a motor carrier	2005	2020	$12,919	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(d)(3)	Appendix B (g)(23): HHG transportation or broker services—registration requirement	2005	2020	$32,297	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(E)	Appendix B (h): Copying of records and access to equipment, lands, and buildings—maximum penalty per day	2005	2020	$1,292	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(E)	Appendix B (h): Copying of records and access to equipment, lands, and buildings—maximum total penalty	2005	2020	$12,919	FMCSA	https://www.federalregister.gov/
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—minimum penalty for first violation	2012	2020	$2,226	FMCSA	https://www.federalregister.gov/
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—maximum penalty for first violation	2012	2020	$5,562	FMCSA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—minimum penalty for subsequent violation(s)	2012	2020	$2,780	FMCSA	https://www.federalregister.gov/
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—maximum penalty for subsequent violation(s)	2012	2020	$8,344	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14906	Appendix B (i)(2): Evasion of regulations under 49 U.S.C. subtitle IV, part B—minimum penalty for first violation	2012	2020	$2,226	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14906	Appendix B (i)(2): Evasion of regulations under 49 U.S.C. subtitle IV, part B—minimum penalty for subsequent violation(s)	2012	2020	$5,562	FMCSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2020	$222,504	Pipeline and Hazardous Materials Safety Administration (PHMSA)	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for a related series of pipeline safety violations	2012	2020	$2,225,034	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(2)	Maximum penalty for liquefied natural gas pipeline safety violation	1996	2020	$81,284	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2020	$1,292	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for hazardous materials violation	2012	2020	$83,439	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for hazardous materials violation that results in death, serious illness, or severe injury to any person or substantial destruction of property	2012	2020	$194,691	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2020	$502	PHMSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for each violation of the Safety Act	2016	2020	$22,723	National Highway Traffic Safety Administration (NHTSA)	https://www.federalregister.gov/
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for a related series of violations of the Safety Act	2016	2020	$113,611,635	NHTSA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 30165(a)(2)(A)	Maximum penalty per school bus related violation of the Safety Act	2005	2020	$12,919	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(2)(B)	Maximum penalty amount for a series of school bus related violations of the Safety Act	2005	2020	$19,378,412	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(4)	Maximum penalty per violation for filing false or misleading reports	2012	2020	$5,562	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(4)	Maximum penalty amount for a series of violations related to filing false or misleading reports	2012	2020	$1,112,518	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30505	Maximum penalty amount for each violation of the reporting requirements related to maintaining the National Motor Vehicle Title Information System	1992	2020	$1,814	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32507(a)	Maximum penalty amount for each violation of a bumper standard under the Motor Vehicle Information and Cost Savings Act (Pub. L. 92-513, 86 Stat. 953, (1972))	1972	2020	$2,976	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32507(a)	Maximum penalty amount for a series of violations of a bumper standard under the Motor Vehicle Information and Cost Savings Act (Pub. L. 92-513, 86 Stat. 953, (1972))	1972	2020	$3,313,763	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32308(b)	Maximum penalty amount for each violation of 49 U.S.C. 32308(a) related to providing information on crashworthiness and damage susceptibility	1972	2020	$2,976	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32308(b)	Maximum penalty amount for a series of violations of 49 U.S.C. 32308(a) related to providing information on crashworthiness and damage susceptibility	1972	2020	$1,623,024	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32308(c)	Maximum penalty for each violation related to the tire fuel efficiency information program	2007	2020	$61,586	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32309	Maximum civil penalty for willfully failing to affix, or failing to maintain, the label requirement in the American Automobile Labeling Act (Pub. L. 102-388, 106 Stat. 1556 (1992))	1992	2020	$1,814	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2020	$11,125	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount for a related series of violations related to odometer tampering and disclosure	2012	2020	$1,112,518	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32710	Maximum penalty amount per violation related to odometer tampering and disclosure with intent to defraud	2012	2020	$11,125	NHTSA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 33115(a)	Maximum penalty amount for each violation of the Motor Vehicle Theft Law Enforcement Act of 1984 (Vehicle Theft Act), sec. 608, Pub. L. 98-547, 98 Stat. 2762 (1984)	1984	2020	$2,444	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(a)	Maximum penalty amount for a related series of violations of the Motor Vehicle Theft Law Enforcement Act of 1984 (Vehicle Theft Act), sec. 608, Pub. L. 98-547, 98 Stat. 2762 (1984)	1984	2020	$610,979	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(b)	Maximum civil penalty for violations of the Anti-Car Theft Act (Pub. L. 102-519, 106 Stat. 3393 (1992)) related to operation of a chop shop	1992	2020	$181,484	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32902	Maximum civil penalty for a violation under the medium- and heavy-duty vehicle fuel efficiency program	1975	2020	$42,621	NHTSA	https://www.federalregister.gov/
49 U.S.C 32912(a)	Maximum civil penalty for violations under 49 U.S.C. 32911(a) related to automobile fuel economy	1975	2020	$43,280	NHTSA	https://www.federalregister.gov/
46 U.S.C. 31309	Maximum civil penalty for a single violation of any provision under 46 U.S.C. Chapter 313 and all of Subtitle III related MARAD regulations, except for violations of 46 U.S.C. 31329	1988	2020	$21,409	Maritime Administration (MARAD)	https://www.federalregister.gov/
46 U.S.C. 31330	Maximum civil penalty for a single violation of 46 U.S.C. 31329 as it relates to the court sales of documented vessels	1988	2020	$53,524	MARAD	https://www.federalregister.gov/
46 U.S.C. 56101(e)	Maximum civil penalty for a single violation of 46 U.S.C. 56101 as it relates to approvals required to transfer a vessel to a noncitizen	1989	2020	$21,507	MARAD	https://www.federalregister.gov/
46 U.S.C. 50113(b)	Maximum civil penalty for failure to file an AMVER report	1956	2020	$135	MARAD	https://www.federalregister.gov/
50 U.S.C. 4513	Maximum civil penalty for violating procedures for the use and allocation of shipping services, port facilities and services for national security and national defense operations	1950	2020	$27,051	MARAD	https://www.federalregister.gov/
46 U.S.C. 12151	Maximum civil penalty for violations in applying for or renewing a vessel's fishery endorsement	1998	2020	$156,917	MARAD	https://www.federalregister.gov/
49 U.S.C. 44802 note	Operation of an unmanned aircraft or unmanned aircraft system equipped or armed with a dangerous weapon	2018	2020	$25,441	Federal Aviation Administration (FAA)	https://www.federalregister.gov/
49 U.S.C. 46301 note	Individual who aims the beam of a laser pointer at an aircraft in the airspace jurisdiction of the United States, or at the flight path of such an aircraft	2015	2020	$26,614	FAA	https://www.federalregister.gov/

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (continued)

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 46301(a)(1)	Violation by a person other than an individual or small business concern under 49 U.S.C. 46301(a)(1)(A) or (B)	2003	2020	$34,777	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	Violation by an airman serving as an airman under 49 U.S.C. 46301(a)(1)(A) or (B) (but not covered by 46301(a)(5)(A) or (B))	2003	2020	$1,527	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	Violation by an individual or small business concern under 49 U.S.C. 46301(a)(1)(A) or (B) (but not covered in 49 U.S.C. 46301(a)(5))	2003	2020	$1,527	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(A)	Violation by an individual or small business concern (except an airman serving as an airman) under 49 U.S.C. 46301(a)(5)(A)(i) or (ii)	2003	2020	$13,910	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(i)	Violation by an individual or small business concern related to the transportation of hazardous materials	2003	2020	$13,910	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(ii)	Violation by an individual or small business concern related to the registration or recordation under 49 U.S.C. chapter 441, of an aircraft not used to provide air transportation	2003	2020	$13,910	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(iii)	Violation by an individual or small business concern of 49 U.S.C. 44718(d), relating to limitation on construction or establishment of landfills	2003	2020	$13,910	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(iv)	Violation by an individual or small business concern of 49 U.S.C. 44725, relating to the safe disposal of life-limited aircraft parts	2003	2020	$13,910	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2020	$4,465	FAA	https://www.federalregister.gov/
49 U.S.C. 46302	Knowingly providing false information about alleged violation involving the special aircraft jurisdiction of the United States	1984	2020	$24,252	FAA	https://www.federalregister.gov/
49 U.S.C. 46318	Interference with cabin or flight crew	2000	2020	$36,516	FAA	https://www.federalregister.gov/
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2020	$13,910	FAA	https://www.federalregister.gov/
49 U.S.C. 46320	Operating an unmanned aircraft and in so doing knowingly or recklessly interfering with a wildfire suppression, law enforcement, or emergency response effort	2016	2020	$21,292	FAA	https://www.federalregister.gov/
51 U.S.C. 50917(c)	Violation of 51 U.S.C. 50901-50923, a regulation issued under these statutes, or any term or condition of a license or permit issued or transferred under these statutes	2014	2020	$244,391	FAA	https://www.federalregister.gov/

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	2012	2020	$83,439	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(2)	Violation of hazardous materials transportation law resulting in death, serious illness, severe injury, or substantial property destruction	2012	2020	$194,691	FAA	https://www.federalregister.gov/
9 U.S.C. 5123(a)(3)	Minimum penalty for violation of hazardous materials transportation law relating to training	2012	2020	$502	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(3)	Maximum penalty for violation of hazardous materials transportation law relating to training	2012	2020	$83,439	FAA	https://www.federalregister.gov/

GRANT PROGRAMS

OMB Circular A-136, *Financial Reporting Requirements*, requires agencies to provide a summary of the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2020. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2020.

Category	Age of Expiration		
	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	1,185	2,161	2,026
Number of Grants/Cooperative Agreements with Undisbursed Balances	939	867	490
Total Dollar Amount of Undisbursed Balances	$132,033,320.81	$69,011,462.08	$113,965,247.61

LIST OF ACRONYMS

A

AATF	Airport and Airway Trust Fund
AEC	Atomic Energy Commission
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
AMVETS	American Veterans
APG	Agency Priority Goal
APR	Annual Performance Report
ATO	Air Traffic Organization
AV	Automated Vehicle

B

BOD	Binding Operational Directive
BPA	Bulk Purchase Agreement
BUILD	Better Utilizing Investments to Leverage Development

C

CARES Act	Coronavirus Aid, Relief, and Economic Security Act of 2020
CCAFS	Cape Canaveral Air Force Station
CDL	Commercial Driver's License
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CIP	Construction-in-Progress
CISA	Cybersecurity and Infrastructure Security Agency
COVID-19	Coronavirus Disease 2019
CR	Continuing Resolution
CSRS	Civil Service Retirement System
CY	Calendar Year

D

DATA Act	Digital Accountability and Transparency Act of 2014
DBE	Disadvantaged Business Enterprise
DEFC	Disaster Emergency Fund Code
DHS	Department of Homeland Security
DLRW	Dynamic Launch/Reentry Window
DM&R	Deferred Maintenance and Repairs
DOD	Department of Defense
DOL	Department of Labor
DOT	Department of Transportation

LIST OF ACRONYMS (continued)

E	
E.O.	Executive Order
ERAM	En Route Automation Modernization
ERM	Enterprise Risk Management
ESC	Enterprise Services Center
F	
FAA	Federal Aviation Administration
FARS	Fatality Analysis Reporting System
FASAB	Federal Accounting Standards Advisory Board
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FERS	Federal Employee Retirement System
FFB	Federal Financing Bank
FFGA	Full Funding Grant Agreement
FFMIA	Federal Financial Management Improvement Act of 1996
FHWA	Federal Highway Administration
FISMA	Federal Information Security Modernization Act of 2014
FITARA	Federal Information Technology Acquisition Reform Act
FMCSA	Federal Motor Carrier Safety Administration
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FY	Fiscal Year
G	
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GPS	Global Positioning System
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol
GVWR	Gross Vehicle Weight Rating
H	
HMR	Hazardous Materials Regulation
HPC	Highway Planning and Construction
HR	Heavy Rail
HTF	Highway Trust Fund
HVA	High-value Asset

LIST OF ACRONYMS (continued)

I	
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IRS	Internal Revenue Service
IT	Information Technology
K	
KSC	Kennedy Space Center
L	
LIDAR	Light Detection and Ranging
LR	Light Rail
M	
MAP-21	Moving Ahead for Progress in the 21st Century Act
MARAD	Maritime Administration
MFA	Multi-Factor Authentication
MY	Model Year
N	
NAS	National Airspace System
NASA	National Aeronautics and Space Administration
NATCA	National Air Traffic Controllers Association
NDRF	National Defense Reserve Fleet
NETT	Non-Traditional and Emerging Transportation Technology
NFSP	National Freight Strategic Plan
NHS	National Highway System
NHTSA	National Highway Traffic Safety Administration
NIST	National Institute of Standards and Technology
NOFO	Notice of Funding Opportunity
NPIAS	National Plan of Integrated Airport Systems
NRC	Nuclear Regulatory Commission
NTD	National Transit Database
O	
OA	Operating Administration
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OST	Office of the Secretary
OTA	Office of Tax Analysis

LIST OF ACRONYMS (continued)

P	
PATH	Port Authority of New York New Jersey Trans-Hudson
PBN	Performance-based Navigation
PCB	Polychlorinated Biphenyls
PHSMA	Pipeline and Hazardous Materials Safety Administration
PIIA	Payment Integrity Information Act of 2019
PIV	Personal Identity Verification
P.L.	Public Law
PMO	Project Management Office
POA&M	Plan of Actions and Milestones
PP&E	Property, Plant, and Equipment
R	
RCRA	Resource Conservation and Recovery Act of 1976
R.O.U.T.E.S	Rural Opportunities to Use Transportation for Economic Success
RPA	Robotic Process Automation
RRF	Ready Reserve Force
RRIF	Railroad Rehabilitation and Improvement Financing
RSI	Required Supplementary Information
S	
SAFE	Safer Affordable Fuel-Efficient
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAM	System for Award Management
SFFAS	Statement of Federal Financial Accounting Standards
SLSDC	Saint Lawrence Seaway Development Corporation
SOC	Service Organization Control
SSAE	Statement on Standards for Attestation Engagements
STB	Surface Transportation Board
STEP	Safe Transportation for Every Pedestrian
T	
TAS	Treasury Account Symbol
TBLP	Time-Based Launch/Reentry Procedures
TIFIA	Transportation Infrastructure Finance and Innovation Act
TSA	Transportation Security Administration
TSCA	Toxic Substances Control Act
U	
UAS	Unmanned Aircraft System
U.S.C.	United States Code
USMMA	United States Merchant Marine Academy
USSGL	United States Standard General Ledger
V	
VMT	Vehicle Miles Traveled