U.S. Department of Transportation

AGENCY FINANCIAL REPORT

FISCAL YEAR 2021

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FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2021 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 2021 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 2021 performance information will be found on page 9 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 the 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 2022 Top Management Challenges; Civil Monetary Penalty Adjustments for Inflation; and Grant Programs.

Annual Performance Report (APR)

The FY 2021 APR will be produced in conjunction with the FY 2023 Annual Performance Plan and FY 2023 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's Fiscal Year (FY) 2021 Agency Financial Report, which conveys to the President, the Congress, and the American people our commitment to sound financial management. This report demonstrates our stewardship of public funds and provides important data on the U.S. Department of Transportation's (DOT) fiscal operations.

This past year was a time of great challenge and great resolve in the transportation sector. The coronavirus disease 2019 (COVID-19) pandemic created unprecedented human and economic hardship for the nation and the world, and the transportation sector particularly felt its impact. Transit ridership fell, the airline industry struggled, ports were congested, and vehicle crashes increased. We also saw extreme climate events take lives and shut down roads, rail lines, subways, and airports. As the latest United Nation's Intergovernmental Panel on Climate Change report confirmed: climate change is responsible for the increasingly dangerous weather, and we have a limited window to stop the worst outcomes. In the face of these challenges, we saw incredible ingenuity, courage, and collaboration from the American people. Throughout the pandemic, our partners across government, labor, and industry, have demonstrated resilience by not only keeping the national airspace and the rest of America's transportation systems open and safe, but also by expanding services back to at, or near, pre-pandemic levels.

DOT will continue to meet this moment while working to modernize our transportation system for generations to come. Our strategy is built on the following pillars: safety; economic strength and modernization; equity; climate and sustainability; transformation; and organizational excellence.

Safety is the foundation of DOT's mission. As always, promoting safety for the hundreds of millions of Americans who rely on our transportation system is this Department's "North Star." We work every day to ensure that America's aviation, public transit, railways, roads, ports, and pipelines are safe. Our key objectives include promoting a safety culture in the transportation industry, the public, and within the DOT; strengthening the use of safety management systems to better inform decision-making; improving safety outcomes by advancing the design of transportation infrastructure, vehicles, and systems; promoting the health and safety of transportation workers, travelers, and communities to reduce fatalities and injuries; and protecting transportation systems from cyberattacks.

Modernizing for the future. Our infrastructure and our entire transportation system need both urgent action and long-term, strategic vision. Through our policies, rules, grants, loans, technical assistance, and other activities, we have already taken meaningful action this year with the authorities and resources we have to

Message from the Secretary *(cont.)*

make life better for the American people. Now, with the passage of the Bipartisan Infrastructure Deal, we have best opportunity in many of our lifetimes to make a transformational investment in infrastructure and modernize America's roads and bridges, rail and transit, ports, and airports. This new law will help us compete and win in the 21st century and create a generation of good-paying jobs in America. It will help us fix past transportation decisions that hurt or divided communities and help promote equity in projects going forward. It will address the climate crisis by building a network of electric vehicle chargers across the country, by helping make our transportation infrastructure more resilient, and by making it safer and easier for people to get around without a car. It will make the largest investment in rail since the creation of Amtrak, the largest investment in public transit in American history, and invest billions to make roads safer for people to walk, bike, or use a wheelchair.

Accountability and Financial Stewardship. We have a responsibility to the American taxpayer to use Department dollars wisely and to the maximum benefit of the American people. The Department has achieved world class financial management and stewardship of its funds by using best practices and employing a sustained focus on advanced planning and improvement of its financial processes and control environment. In FY 2021, the Department awarded a total of more than $7 billion in direct procurements and more than $100 billion to recipients of grants and financial assistance. Given the additional COVID-19 emergency relief funding allocated to DOT over the past year ($106 billion) and the large federal investment for transportation infrastructure and resiliency provided by the Bipartisan Infrastructure Deal, we are even more mindful of the imperative of having the internal controls necessary to prudently award, manage, and report on contracts, grants, loans, and other forms of assistance.

OVERVIEW OF THE FY 2021 FINANCIAL RESULTS

I am pleased to share that for the 15th consecutive year, DOT 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

Message from the Secretary *(cont.)*

OMB Circulars A-136 and A-11, the financial and performance data published in this report is complete and reliable.

The incredible dedication exhibited everyday by our workforce allows us to fulfill DOT's promises to the American people. I am proud to work alongside these public servants on the exciting challenges and opportunities ahead.

Sincerely,

Pete Buttigieg
November 15, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

DOT Mission

The Department's mission is to ensure America has the safest, most efficient and modern transportation system in the world, which boosts our economic productivity and global competitiveness and enhances the quality of life in communities both rural and urban.

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 (U.S.C.), 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

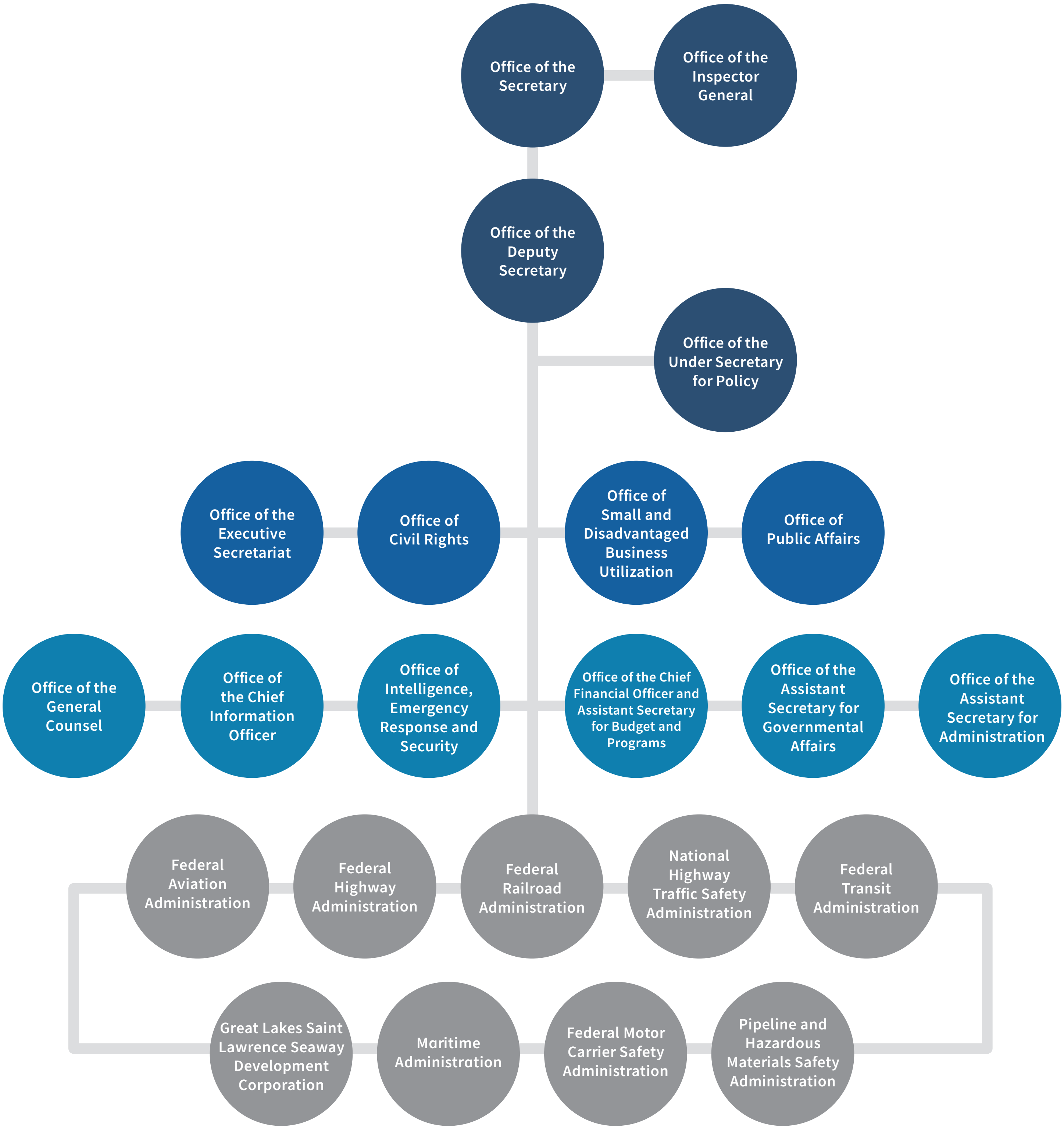
Established in 1966, DOT sets Federal transportation policy and works with State, local, and private-sector partners to promote a safe, secure, efficient, and interconnected national transportation system of roads, railways, pipelines, airways, and seaways.

HOW DOT IS ORGANIZED

DOT employs more than 53,800 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. OIG, although formally part of DOT, is independent by law.

ORGANIZATIONAL CHART



OAs & 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 THE INSPECTOR GENERAL (OIG)

The Office of the 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 movement 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.

GREAT LAKES SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION (GLS)

The Great Lakes St. Lawrence Seaway Development Corporation is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., maintaining the channels and navigational aids in U.S. waters, and performing vessel traffic control operations in areas of the St. Lawrence River and Lake Ontario. In addition, the GLS performs economic and trade development activities designed to enhance Great Lakes St. Lawrence Seaway System utilization.

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 save lives and reduce crashes and injuries by advancing large truck and bus safety through collaboration, education, research, technology, and compliance.

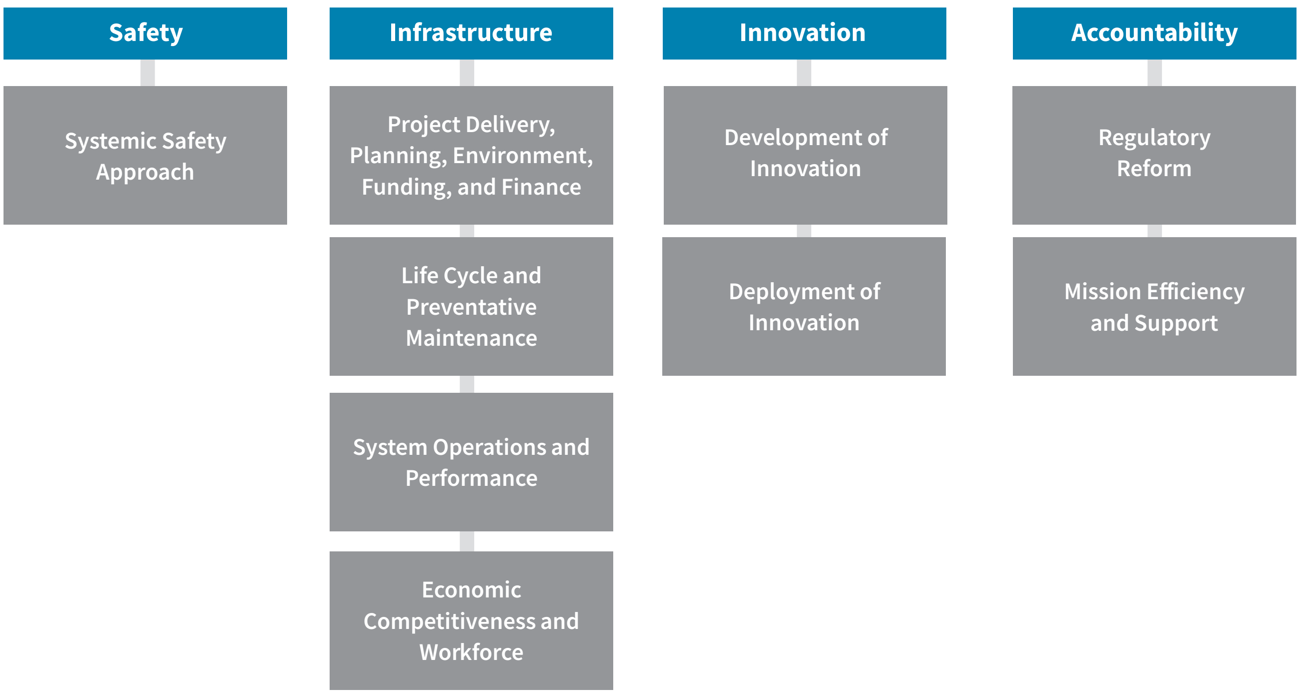
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

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. We also prepare 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 strategic goals that are updated every four years. Currently, the Department is in the process of developing its FY 2022-2026 Strategic Plan. However, the FY 2023 performance measures were aligned to the FY 2018-2022 DOT Strategic Plan. The FY 2018-2022 Strategic Plan contained 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

Roadway Safety

The Nation has made progress in reducing overall transportation-related fatalities and injuries over the past two decades, even as the U.S. population and travel rates have increased significantly. However, over the past 10 calendar years (CY 2010 to CY 2019), the number of fatalities on the Nation's roadways has increased by 9.4 percent, from 32,999 to 36,095.

In early estimates for CY 2021, NHTSA estimates that 8,730 people died in motor vehicle traffic crashes in the first three months of CY 2021, a 10.5 percent increase from the 7,900 fatalities the agency projected for the first quarter of CY 2020. This increase comes even as driving declined; preliminary data reported by FHWA show that vehicle miles traveled (VMT) in the first three months of CY 2021 decreased by 2.1 percent, or about 14.9 billion miles. The fatality rates per 100 million VMT for the first quarter of CY 2021 increased to 1.26 fatalities per 100 million VMT, up from the projected rate of 1.12 fatalities in the same time last year.

Performance Summary and Highlights *(cont.)*

These early estimates suggest the driving patterns and behaviors the agency reported in CY 2020, which changed significantly from previous years, continue to prevail and that drivers who remained on the roads engaged in more risky behavior, including speeding, failing to wear seat belts, and driving under the influence of drugs or alcohol.

Air Safety

In FY 2021, FAA continued to work with the General Aviation Joint Steering Committee (GAJSC) on improving general aviation safety. The GAJSC, formed by FAA and industry partners, uses a non-regulatory, proactive, and data-driven strategy to improve aviation safety. The GAJSC has developed 46 safety enhancements aimed at addressing the top causes of fatal accidents. Of this total, 30 have been completed to date, with one safety enhancement completed in FY 2021. The remaining 16 are in progress and will be completed or fully implemented after FY 2021. FAA has also supported global pandemic risk mitigation through its work with the International Civil Aviation Organization (ICAO) Council Aviation Recovery Task Force (CART) by developing and publishing guidance documents that serve as global benchmarks for testing protocols, as well as vaccine and testing certificates, that reflect policies and recommendations championed by FAA. Runway incursion rates have also continued to trend well below target, even relative to reduced operations as a result of COVID-19 restrictions.

Rail Safety

FRA issued the State Action Plans final rule. The Rail Safety Improvement Act of 2008 (RSIA) required the 10 States with the most grade crossing collisions to develop action plans. The Fixing America's Surface Transportation (FAST) Act requires those 10 States to report on implementation of RSIA-mandated plans and to submit updated plans for FRA approval. The FAST Act also established a one-time requirement for other States and the District of Columbia to submit plans for FRA approval. The final rule implements these requirements. FRA developed guidance materials and provided technical assistance to help States comply with the rule. During FY 2021, FRA also had several test programs underway to evaluate new autonomous track geometry measurement systems, including combinations of visual and automated inspections at differing frequencies. FRA is analyzing data from these programs and will report the results in FY 2022. FRA is also overseeing field testing of second-generation positive train control systems.

Transit Safety

As with roadway fatalities, transit-related fatalities increased in FY 2021. FTA is currently investigating likely causal factors for the increase. With respect to the Public Transportation Agency Safety Plan (PTASP) Rule, all transit agencies and States certified that they met the rule's requirements prior to the July 20, 2021 deadline. To further improve the safety culture of public transit agencies, FTA completed training and issued 515 certifications to transit safety professionals enrolled in the Public Transportation Safety Certification Training Program. FTA also completed development of a new State Safety Oversight Reporting system to collect all 2020 State Safety Oversight Agency Annual Reports. FTA's cross-functional Safety Assessment Team and Executive Safety Review Board continued to evaluate safety topics and published Safety Bulletins and a Request for Information on four key safety risks: inward- and outward-facing cameras in rail transit operating compartments, end-of-railcar door signage, roadway worker protection (RWP), and signal system safety.

Pipeline and Hazardous Material Safety

Through continuous assessments, inspections, enforcements, and working with State partners and operators, PHMSA expects to achieve a significant reduction in gross barrels spilled, meeting the target in FY 2021 for both gross and net volume spilled measures.

Fatalities related to the transport of hazardous materials by highway continue to decrease. Some decreases may be temporary due to a reduction in VMT during COVID-19, but some are likely permanent and attributable to improved safety practices and vehicle equipment.

Performance Summary and Highlights *(cont.)*

INFRASTRUCTURE

To stimulate growth and retain economic competitiveness, DOT guides strategic investments that enable more efficient movement of people and goods. To achieve the Infrastructure goal, DOT provided guidance, technical assistance, and research to leverage Federal funding, accelerate project delivery, reduce project lifecycle costs, optimize the operation and performance of existing facilities, and provide multimodal travel options for people of all ages and abilities.

Runway Condition

COVID-19 may have had a positive impact on runway pavement condition, as air travel reductions allowed some airports to have extended closures of normally busy runways to perform major maintenance or rehabilitation activities that had long been deferred due to difficulties in scheduling closures around operational needs. However, COVID-19-related revenue losses may force airports to defer maintenance activities, which could lead to challenges in improving pavement condition. These deferred maintenance activities could lead to higher maintenance or rehabilitation costs in future years and could lead to increases in "poor" or "failed" condition runways throughout the National Plan of Integrated Airport Systems (NPIAS).

In FY 2021, there was a 5 percent increase in runways reported in "excellent" condition and a 10 percent reduction in runways reported in "poor" condition. This indicates maintenance and rehabilitation activities focusing on runways in deteriorated condition.

National Highway and Bridge Condition

FHWA is implementing the Competitive Highway Bridge Program (CHBP) and the Bridge Replacement and Rehabilitation Program (BRRP) which provide additional funds to States to replace or rehabilitate bridges. The CHBP awarded a total of $225 million to 20 projects in 18 States in FY 2019 and the BRRP provided $2.7 billion to the States from FY 2019 to FY 2021. FHWA is monitoring the CHBP awardees to ensure all funding is obligated before it expires at the end of FY 2021. FHWA initiated the Demonstration to Advance New Pavement Technologies Pooled Fund Study to partner with State DOTs and implement pavement techniques and tools that improve pavement performance. To date, 13 State DOTs have joined the study.

Transit System Condition

FTA selected six projects through the Real-Time Transit Infrastructure and Rolling Stock Condition Assessment Research and Demonstration Program to receive $1.37 million to enhance asset management of infrastructure and safety by deploying innovative technologies that can provide real-time condition assessment of transit capital and facilities.

FTA also continued implementation of the Transit Asset Management Rule, focusing on the first Transit Asset Management Plan updates due in FY 2022. FTA published state of good repair performance targets for the industry for the second time. The performance target reporting process is an integral part of FTA's innovative strategy for encouraging the transit industry to raise the bar for state of good repair, even in the absence of significant additional funding.

INNOVATION

The transportation sector is rapidly evolving to become one of the most innovative and dynamic areas of the Nation's economy. Significant developments and convergence of robotics, artificial intelligence, sensors, mapping, data, and communications are driving innovation in the transportation space. Emerging technologies such as Automated Driving Systems (ADS), Unmanned Aircraft Systems (UAS), Internet of Things (IoT), Mobility on Demand (MOD), automated rail technologies, autonomous ships, automated ports, and others represent examples of where these technologies are aiming to transform the future use, operation, adaptability, and development of the transportation system.

Performance Summary and Highlights *(cont.)*

Transportation Research, Development, and Technology

Development of the Performance Management Data System (PMDS) has helped DOT establish standardized processes to collect, process, and transfer modal research data, which has improved the Department's ability to make more research publicly available. DOT is also improving internal processes to automate data collection, which has streamlined the data gathering process.

Airspace Innovations

FAA successfully met its FY 2021 Major System Investment goal. Ten out of eleven (90.9 percent) programs are within a -10 percent variance of their cost, schedule, and performance baseline, and one program reported a cost and schedule variance greater than -10 percent. However, due to the work restrictions associated with the COVID-19 pandemic, program schedules and costs are still at risk of being impacted. FAA continues to track work and progress based on the evolving effects of the COVID-19 pandemic.

Automated Vehicle Innovations

In FY 2021, NHTSA announced the expansion of the Automated Vehicle Transparency and Engagement for Safe Testing (AV TEST) Initiative from a pilot to a full program. The information provided through AV TEST will help keep the public informed of the progress, advancement, and safety implications regarding the automated vehicles that participate in the program. The portal and interactive tool are available and will be updated as new information is submitted.

ACCOUNTABILITY

To achieve the Accountability goal, DOT seeks to improve the efficiency, effectiveness, and accountability of the Department through the reducing low-value, obsolete, or duplicative regulations and other requirements to streamline and improve coordination of business processes. DOT has also built a Departmental workforce that meets the challenges of today and tomorrow by improving employee engagement, recruiting talent from all segments of American society, investing in workforce development and training, and enhancing the tools and technologies its employees rely on to meet the Department's mission.

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 had four APGs that spanned FY 2020 through FY 2021:

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

APG 1 – Reduce Surface Transportation-Related Fatalities

Goal Statement: By September 30, 2021, the Department will reduce the rate of motor vehicle fatalities to 1.01 per 100 million VMT.

The following measures are used to track progress with this APG.

Performance Summary and Highlights *(cont.)*

Goal: Reduce Motor Vehicle-Related Fatalities (Overall)						
		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	1.01	1.01
	Actuals	1.17	1.14	1.11	1.37[1]	N/A

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

Goal: Reduce Motor Vehicle-Related Fatalities by Type (FHWA, NHTSA, FMCSA)						
		CY 2017	CY 2018	CY 2019	CY 2020[2]	CY 2021[3]
Passenger Fatalities Per 100 Million VMT	Targets	0.75	0.75	0.74	0.74	0.74
	Actuals	0.74	0.71	0.68	N/A	N/A
Large Truck and Bus Fatalities Per 100 Million VMT[4]	Targets	0.11	0.11	0.11	0.11	0.11
	Actuals[5]	0.16	0.16	0.16	N/A	N/A
Non-Occupant Fatalities (Pedestrian, Bicycle) Per 100,000 Population	Targets	2.15	2.15	2.10	2.10	2.10
	Actuals	2.19	2.29	2.24	N/A	N/A
Motorcycle Fatalities Per 100,000 Motorcycle Registrations	Targets	62.00	62.00	61.00	62.00	61.00
	Actuals	60.32	58.18	58.33	N/A	N/A

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

Goal: Reduce Transit Collisions Involving People (FTA)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Rail Transit Fatalities[6]	Targets	-	278	260	255	255
	Actuals	259	245	254	311	209[7]
Total Rail Transit Collisions with Persons[8]	Targets	-	450	420	430	430
	Actuals	408	425	482	426	270[9]
Total Transit Fatalities per 100 Million VMT*	Targets	-	-	-	6.30	6.25
	Actuals	-	-	6.68	9.56	8.64[10]

**The transit fatality rate was previously measured by passenger miles traveled (PMT). It was changed to VMT in FY 2020.*

1 *CY 2020 is based on early estimates. Data are expected in spring 2022.*
2 *FY 2021 actual data for all roadway safety measures, besides large trucks, will be available in spring 2022.*
3 *FY 2022 estimate data for all roadway safety measures, besides large trucks, will be available in spring 2022.*
4 *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.*
5 *Estimated availability is December 2021.*
6 *The Total Rail Transit Fatalities measure was established in FY 2018.*
7 *FY 2021 data are preliminary and only include October 2020 through June 2021.*
8 *Rail transit collisions with persons include suicides. FY 2017 was the baseline year for this measure.*
9 *FY 2021 data are preliminary and only include October 2020 through June 2021.*
10 *FY 2021 data are preliminary and only include October 2020 through June 2021.*

Performance Summary and Highlights *(cont.)*

Goal: Reduce Rail-Related Fatalities (FRA)[11]				
		FY 2019	FY 2020*	FY 2021
Highway-Rail Grade Crossing Incidents	Targets	-	2,169	1,859
	Actuals	2,283	1,957	N/A[12]
Rail Right-Of Way Trespass Incidents	Targets	-	1,015	998
	Actuals	1,045	1,050	N/A[13]

N/A = not available
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.*

Goal: Reduce Pipeline and Hazardous Materials Safety-Related Fatalities (PHMSA)						
		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[14]	Targets	-	-	25	24	22
	Actuals	16	18	25	16	21[15]

APG 2 – Reduce Aviation-Related Fatalities

Goal Statement: 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.

Goal: Reduce U.S.-Owned Commercial Carrier Aviation Fatalities per 100 Million Persons on Board (FAA)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
U.S.-Owned Commercial Carrier Fatalities per 100 Million Persons on Board	Targets	6.40	6.20	5.90	5.70	5.40
	Actuals	0.30	0.10	0.50	0.60	0.00[16]

11 *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.*
12 *Preliminary data will be available December 15, 2021.*
13 *Preliminary data will be available December 15, 2021.*
14 *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.*
15 *Preliminary estimate.*
16 *Data current as of August 23, 2021. Final data will be available December 31, 2022.*

Performance Summary and Highlights *(cont.)*

Goal: Reduce U.S. General Aviation Fatal Accidents per 100,000 Flight Hours (FAA)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
U.S. General Aviation Fatal Accidents per 100,000 Flight Hours	Targets	1.01	1.00	0.98	0.97	0.96
	Actuals	0.83	0.89	0.95	0.93[17]	0.80[18]

APG 3 – Improve America's Transportation-Related Infrastructure

Goal Statement: 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 NPIAS in "excellent," "good," or "fair" condition will be maintained at 93 percent.

The following measures are used to track progress on this APG.

Goal: Increase Grants to Rural and Small Urban Areas (FTA)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
FTA Grant Dollars Allocated to Rural and Small Urban Areas[19]	Targets	-	$ 1.56B	$ 1.59B	$ 1.62B	$ 1.62B
	Actuals	-	$ 1.79B	$ 1.60B	$ 6.07B	$ 4.02B[20]

B = billion.

From Strategic Objective 2.2: Life Cycle and Preventative Maintenance(FHWA, FTA, FAA)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Percentage of Interstate Pavements, in Lane Miles, in "Good" or "Fair" Condition[21]	Target	-	-	-	96%	95%
	Actual	-	-	99%	99%	99%
Percentage of National Highway System Bridge Deck Area in "Good" or "Fair" Condition[22]	Target	-	-	-	95%	95%
	Actual	-	96%	95%	96%	96%
State of Good Repair Backlog (Current-Year Dollars)	Target	$ 105B	$ 109B	$ 109B	$ 109B	$ 109B
	Actual	$ 105B	$ 105B	$ 105B	$ 105B	$ 105B[23]
Paved Runways in the National Plan of Integrated Airport Systems in "Excellent," "Good," or "Fair" Condition	Target	93%	93%	93%	93%	93%
	Actual	98%	98%	98%	98%	98%

B = billion.

17 *Data current as of August 23, 2021. Final data will be available December 31, 2021.*
18 *Data current as of August 23, 2021. Final data will be available December 31, 2021.*
19 *Reporting on FTA Grant Dollars Allocated to Rural and Small Urban Areas began in FY 2018.*
20 *Data current through June 2021. Final data will be available December 2021.*
21 *Prior to FY 2020, FHWA reported on the Percentage of VMT on the NHS in "Good" condition.*
22 *Prior to FY 2020, FHWA reported on the Percentage of National Highway System Bridge Deck Area in "Poor" condition.*
23 *Data based on the 24th edition of the Conditions and Performance Report (2016 data).*

Performance Summary and Highlights *(cont.)*

Goal: Alleviate Freight Congestion (FHWA)						
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Interstate Truck Travel Time Reliability, in Person-Miles Traveled[24]	Target	-	1.36	1.38	1.41	1.43
	Actual	-	1.36	1.38	1.39	1.28

APG 4 – Enhance Commercial Space Innovation

Goal Statement: This APG centers on the development and implementation of Time-Based Launch/Reentry Procedures (TBLP) and Dynamic Launch/Reentry Windows (DLRW) for integrating Cape Canaveral Air Force Station/Kennedy Space Center (CCAFS/KSC) complex commercial spaces launches and reentry operations into the National Airspace System (NAS).

During FY 2021, FAA began data collection on the actual use of TBLP/DLRW in the operational environment.

Results over the past 12 months:

- Saved 7,761 minutes, or 129 hours, of airspace closure through the use of DLRW at Cape Canaveral, FL (SpaceX); Boca Chica, TX (SpaceX); and Van Horn, TX (Blue Origin).
- Had four launches that required TBLPs for Cape Canaveral, FL. TBLP for those four launches saved an average of 106 minutes (424 total minutes) of Atlantic Route closure. Atlantic Route closures historically account for 70 percent of all NAS impacts from launch and reentry operations.

[24] *FHWA began reporting on this measure in FY 2018.*

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, former 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.

The Fixing America's Surface Transportation Act of 2015 or "FAST Act", signed by former President Obama on December 4, 2015, is intended to supplement emergency relief authorizations and funding, it also greatly restored the HTF to previous funding levels. The FAST Act, which was extended in FY 2021, through the Continuing Appropriations Act, 2021 and Other Extensions Act, Public Law 116-159, expired on September 30, 2021. During FY 2021, the Department continued to spend down authority received from the FAST Act until its expiration. President Biden signed the Surface Transportation Extension Act of 2021 on October 2, 2021, and again on October 31, 2021. In doing so, he extended the HTF authorizations and related revenue authorities through October 31, 2021, and then through December 3, 2021.

The Department continued to execute on the $36 billion of COVID-19 supplemental appropriations received in FY 2020 through the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). In FY 2021 the Department received an additional $27 billion through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA) and $43 billion through the American Rescue Plan Act of 2021 (ARPA), P.L. 117-02. These bills were designed to prevent, prepare for, and respond to the COVID-19 pandemic.

OVERVIEW OF FINANCIAL POSITION

Assets

The Consolidated Balance Sheets report total assets of $176.8 billion at the end of FY 2021, compared with $119.6 billion at the end of FY 2020. The Fund Balance with Treasury line item increased by $49.1 billion, which was primarily the result of additional ARPA, CRRSA and CARES Act funding in response to the COVID-19 pandemic. Investments increased by $7.9 billion as a result of a $14 billion cash infusion to the AATF from the General Fund. This infusion offset a $6 billion decrease due to overall expenditures exceeding excise tax collections. The decrease in excise tax collections is mainly the result of tax holidays granted in FY 2020 as a part of Federal Government's response to the COVID-19 pandemic as well as reductions in air travel due to COVID-19.

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

ASSETS BY TYPE

Dollars in Thousands

LINE ITEM	2021	%	2020	%
Fund Balance With Treasury	$ 114,363,099	64.7	$ 65,290,548	54.6
Investments	30,264,917	17.1	22,390,869	18.7
Loans Receivable, Net	15,245,491	8.6	16,874,044	14.1
General Property, Plant and Equipment	12,711,237	7.2	12,440,128	10.4
Inventory and Related Property, Net	1,037,990	0.6	1,057,263	0.9
Accounts Receivable	193,664	0.1	179,508	0.2
Advances, Prepayments, and Other Assets	3,000,743	1.7	1,378,207	1.1
Total Assets	$ 176,817,141	100	$ 119,610,567	100

Financial Highlights *(cont.)*

Liabilities

The Department's Consolidated Balance Sheets report total liabilities of $37.3 billion at the end of FY 2021, as summarized in the table below. This number represents a $.9 billion decrease from the previous year's total liabilities of $38.2 billion. The Debt line decreased by $1.9 billion mainly due to increased debt repayments and upward re-estimate collections used to repay debt.

LIABILITIES BY TYPE

Dollars in Thousands

LINE ITEM	2021	%	2020	%
Debt	$ 15,065,013	40.4	$ 17,007,979	44.5
Accrued Grant Liabilities	16,091,015	43.1	15,791,963	41.4
Other Liabilities	2,107,303	5.6	1,276,255	3.3
Environmental and Disposal Liabilities	864,883	2.3	876,612	2.3
Federal Employee Benefits Payable	1,495,873	4.0	1,511,202	4.0
Accounts Payable	578,818	1.6	622,651	1.6
Advances From Others and Deferred Revenue	953,398	2.6	908,013	2.4
Loan Guarantees	145,644	0.4	192,993	0.5
Total Liabilities	**$ 37,301,947**	**100**	**$ 38,187,668**	**100**

RESULTS OF OPERATIONS

Net Costs

The Department's Net Cost of Operations was $102.9 billion for FY 2021, as summarized in the following table. Surface and air costs represent 99 percent of the Department's total net cost of operations. Surface transportation program costs represent the largest investment for the Department, at 73.8 percent of the net cost of operations. Air transportation is the next largest investment, at 25.3 percent of total net cost of operations.

NET COSTS

Dollars in Thousands

LINE ITEM	2021	%	2020	%
Surface Transportation	$ 75,857,536	73.8	$ 82,008,686	75.5
Air Transportation	26,025,655	25.3	25,422,635	23.4
Maritime Transportation	337,644	0.3	580,101	0.5
Cross-Cutting Programs	376,606	0.4	425,901	0.4
Costs Not Assigned to Programs	253,262	0.2	227,891	0.2
Net Cost of Operations	**$ 102,850,703**	**100**	**$ 108,665,214**	**100**

Financial Highlights *(cont.)*

Net Position

The Department's Consolidated Balance Sheets and Consolidated Statement of Changes in Net Position report a Net Position of $139.5 billion at the end of FY 2021, a 71.4 percent increase from the $81.4 billion from the previous fiscal year. The increase is mainly attributable to appropriations received in FY 2021 due to COVID-19 funding intended to prevent, prepare for, and respond to the pandemic. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

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 2021, the Department had total budgetary resources of $275.2 billion, which represents a 29 percent increase from FY 2020 levels of $213.4 billion. Budget Authority of $275.2 billion consisted of $61 billion in unobligated authority carried over from previous years, $126.6 billion in appropriations, $73.4 billion in borrowing and contract authority, and $14.2 billion in spending authority from offsetting collections. The Department's FY 2021 obligations incurred totaled $176.1 billion compared with FY 2020 obligations incurred of $152.6 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2021, the Department had net outlays of $105.3 billion compared with FY 2020 levels of $100.3 billion, a 5 percent increase.

RESOURCES

Dollars in Thousands

LINE ITEM	2021	2020	% Change
Total Budgetary Resources	$ 275,196,831	$ 213,358,110	29.0
New Obligations and Upward Adjustments	176,118,848	152,614,668	15.4
Agency Outlays, Net	105,279,842	100,307,021	5.0

COVID-19 FINANCIAL IMPACT

CRRSAA was signed into law on December 27, 2020 providing $27 billion in supplemental general fund appropriations to several DOT programs to further COVID-19 relief efforts. In addition, on March 11, 2021, ARPA was signed into law by President Biden providing $43 billion in supplemental appropriations to several DOT programs also in response to COVID-19. Funding from these Acts, along with the CARES Act, which provided $36 billion of FY 2020 supplemental appropriations are intended to continue the nations efforts 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 the funding from these Acts, 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 these Acts.

Financial Highlights *(cont.)*

The Department obligated $30.7 billion of its COVID-19 appropriations received in FY 2021, after taking intra-entity eliminations into consideration. While $42.1 billion of COVID-19 Budgetary Resources remain available for use in FY 2022. Other COVID-19 related significant financial impacts include: $66.9 billion increase to FBwT, $8 billion increase to Grant Accrual, $23.5 billion increase to net costs, and a $60.4 billion increase to net position.

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

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.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

November 15, 2021

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report on the effectiveness of the internal control and financial management systems for the U.S. Department of Transportation (DOT) during Fiscal Year (FY) 2021. The enclosure provides DOT's FY 2021 Federal Managers' Financial Integrity Act (FMFIA) assurance statement and summarizes the supporting internal control and management efforts for the FY that ended on September 30, 2021.

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

DOT conducted its assessment of risk and internal controls 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 that assessment, DOT can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2021.

Based on the results of the FY 2021 FMFIA assessments, I conclude that the Department's system of internal control and financial management is operating effectively, and that we will continue to make program integrity enhancements in the future.

Sincerely,

Pete Buttigieg

Enclosure

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

In FY 2021, DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2021 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 FY that ended on September 30, 2021.

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 2021, DOT documented and assessed internal controls over several business processes. Appendix A activities in FY 2021 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. DOT also identified the controls in place to confirm the accuracy of the high-risk data elements related to financial assistance awards as part of a targeted assessment related to data quality. DOT developed analytical procedures to assess these data elements in the aggregate as well as to identify high risk transactional activities.

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, 2021.

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 it is in compliance with OMB Circular A-123, Appendix B.

Payment Integrity Information Act of 2019 (PIIA; P.L. 116-117)
OMB Circular A-123, Appendix C: Requirements for Payment Integrity Improvement

In FY 2021, 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, the DOT has determined that its financial management systems were in compliance with FFMIA for FY 2021.

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.

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) 2021, ending September 30, 2021, 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, 2021.

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 2021. The assessments for FY 2021 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.

Analysis Of Entity's Systems, Controls, And Legal Compliance *(cont.)*

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 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 2021.

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 the OIG. For FY 2021, the annual FISMA report was finalized and submitted on October 29, 2021, as required by OMB and the Department of Homeland Security (DHS). As in FY 2020, OIG separated its FISMA-required assessment and submission to OMB from a narrative audit report of cybersecurity at DOT. The narrative report was published on October 25, 2021, and is available at [www.oig.dot.gov.](http://www.oig.dot.gov)

In 2021, OST, the nine OAs, and OIG operated a total of 451 information systems reflecting an increase of 1 system from the FY 2020 adjusted inventory. Of this total, 326 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 Civilian Enterprise Essential (FCEE) system 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 2021, 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 Department's information technology (IT) transformation activity in FY 2021, with a focus on continued aggregation and centralization of residual commodity IT to achieve infrastructure, cost, and service efficiencies, and to reduce attack surface, cybersecurity, and privacy risks. Specific initiatives and accomplishments during FY 2021 included:

- Creation of an IT spending integrated project team (IPT) to enhance reviews of OA IT spend plans subject to OCIO FITARA oversight, and continuing to identify potential duplication, misalignment, risks, and explicit gaps within OA cybersecurity programs and plans;
- Maintaining performance on the Executive Order (E.O.) 13800 risk management assessment at an overall rating of "Managing Risk" as of the most recent FY 2021 Q3 assessment;

Analysis Of Entity's Systems, Controls, And Legal Compliance *(cont.)*

- Accelerated procurements and deployment of enterprise logging and endpoint detection and response (EDR) capabilities in support of E.O. 14028;
- Achievement of 100% compliance with federal trustworthy e-mail requirements as required by DHS' Cybersecurity and Infrastructure Security Agency (CISA); and
- Enhancements to and automation of elements of the agency security awareness training program to improve the delivery of training, quality of data, and reporting of completions and performance.

For FY 2022, subject to the availability of resources, the Department plans to:

- Initiate a series of cybersecurity sprints to address open recommendations and vulnerabilities beginning in November 2021;
- Expand Departmental phishing exercises to increase coverage to all employees and frequency to monthly to improve employee awareness and response beginning December 1, 2021;
- Implement DHS Binding Operational Directive (BOD) 22-01 regarding improvements to across the agency by January 31, 2022;
- Publish updates to the Departmental Cybersecurity Policy and Compendium, including support for NIST SP 800-53 revision 5 enhancements, by March 31, 2022;
- Ensure that DOT achieves logging maturity level EL1 in accordance with E.O. 14028 and OMB M-21-31 by August 27, 2022;
- Work with the FAA's Chief Information Officer (CIO) and FMCSA to investigate and remediate cross-site scripting vulnerabilities identified in public facing web applications by August 31, 2022;
- Develop and implement a process to facilitate centralized monitoring, oversight and escalation efforts to ensure the timely completion of required security awareness training and role-based training for all DOT personnel leveraging an automated integrated solution(s) and dashboards by September 30, 2022; and
- Develop and communicate an organization wide Supply Chain Risk Management strategy and implementation plan to guide and govern supply chain risks by November 30, 2022.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

DOT delivers high-value financial management services to its OAs while maintaining optimal system performance and streamlining business processes through our shared service provider, the Enterprise Services Center (ESC). ESC provides both business operational support and financial management systems services to DOT and several non-DOT customers to better position them for compliance with Federal laws, regulations, and government-wide standards. Together, DOT and ESC focus on people, processes, and technology, to drive improvements and cost efficiencies for efficient management of taxpayer dollars.

The Department has initiatives underway aimed at automating processes, strengthening internal controls, and improving transparency and financial reporting. These actions demonstrate our continued discipline and accountability in the execution of DOT's fiscal responsibilities to meet mission requirements and to support COVID-19 pandemic recovery efforts.

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

In addition to meeting all mandated DATA Act submission deadlines for FY 2021, DOT continues to implement new OMB requirements towards increasing spending transparency. This year, DOT implemented the very first phase of an enhanced internal process designed to improve the quality of award descriptions to provide access to the American public in order to assess whether funding is achieving the intended goals and objectives.

Also, DOT performed significant work since the last DATA Act audit conducted in 2019. This work included the development and implementation of enhanced guidance and processes to identify and correct potential data quality issues. We also implemented new DATA Act reporting requirements resulting from the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. These accomplishments are a testament

Analysis Of Entity's Systems, Controls, And Legal Compliance *(cont.)*

to the Department's commitment to improved transparency and accountability of spending data. This year's audit concluded that DOT's DATA Act submission received a quality rating of higher.

COVID-19 Recovery Program Support

In FY 2021, DOT continued to support existing and new transportation programs to support recovery from the COVID-19 pandemic. DOT utilized existing financial and grants systems to meet program requirements – thereby reducing the system implementation timeline. For example, processes were developed, and systems slightly modified to ensure that DOT's *Aviation Manufacturing Jobs Protection (AMJP)* Program could be managed via systems and interfaces that have previously been implemented in other parts of DOT. The program utilized an existing shared service solution from the Department of Health and Human Services and interfaced directly into DOT's financial system (Delphi) to provide secure, accurate, and timely disbursement of funds to program recipients.

Government Invoicing (G-Invoicing)

DOT continues to prepare for the implementation of the Department of Treasury's G-Invoicing solution, which will automate Federal Buy/Sell Intragovernmental Agreements (IGT). G-Invoicing is an online portal that provides a common platform for brokering all IGT Buy/Sell activity. The G-Invoicing initiative is designed to provide Federal agencies with a long-term solution to improve trading partner communication and standardize accounting practices. DOT's Project Management Office (PMO) is executing a phased approach to meet the G-Invoicing mandate. The first phase of the project was implemented in 2021 and includes brokering agreements between DOT trading partners in the G-Invoicing system.

Additionally, the PMO completed its evaluation of system integration options and selected the system solution for the second phase of the project to meet Treasury's implementation date of October 1, 2022. The PMO is also working on the final phase of G-Invoicing which includes the migration of all open IGT Buy/Sell activity to the G-Invoicing solution by October 2023.

Increased Shared Services Utilization

During FY 2021, the Office of Personnel Management (OPM) migrated to DOT's Delphi system and PRISM procurement system. This migration was the result of a two-year collaborative effort to save time and money across government. DOT now services 20 Federal agencies in financial management activities, thereby reducing the number of instances of financial management systems across government. Throughout the migration process, DOT worked closely with the Financial Management Quality Service Management Office (FM-QSMO) to implement standardized solutions for both financial and procurement management. The OPM addition resulted in millions of dollar savings for OPM and other DOT customers, while continuing to gain efficiencies and standardization.

DOT ESC SHARED SERVICE CENTER

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.

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.

FINANCIAL REPORT

Message from the Deputy Assistant Secretary for Finance and Budget

I am proud to present the fiscal year (FY) 2021 Department of Transportation (DOT or Department) Financial Statements. This year's reporting efforts came with great challenges as the nation continues to recover from the impacts of the COVID-19 pandemic. The Department and our financial management professionals came together, like no time before, to ensure the agency's mission and financial management objectives were achieved. We made great strides and achieved success in several significant areas, most notably in: addressing COVID-19 recovery and support for the nation's transportation sector, success in our financial statement audit, and enhancing our financial management systems.

We stand ready to take on the new ambitious agenda ahead of us in the infrastructure investments provided with the recently passed Infrastructure Investment and Jobs Act by Congress, which promises to reshape our country's transportation system in the years to come.

COVID-19 recovery and support. In FY 2021, DOT continued to support the nation's recovery efforts from the ongoing COVID-19 pandemic. To assist, Congress appropriated new COVID-19 funding to the Department in the amounts of $27 billion through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA); and, an additional $43 billion in emergency funds through President Biden's American Rescue Plan Act (ARPA) in March. These funds further critical relief efforts nationwide to support our public transit systems, passenger rail and surface transportation networks, grants for airport relief, vaccinations, and funds to eligible businesses for pay compensation costs in the aviation manufacturing industry of furloughed employees due to COVID-19.

The Department and our operating administrations successfully processed, executed, recorded, and reported on these funds, making timely disbursements designed to maximize the impact of these needed resources. DOT also continued the successful execution and timely reporting of the $36 billion in FY 2020 COVID-19 funding provided through the Coronavirus Aid, Relief, and Economic Security Act (CARES), with over 80% expended by the end of FY 2021.

Financial statement audit success. The Department obtained our 15th consecutive unmodified audit opinion on the financial statements in FY 2021. This is a momentous accomplishment that shows DOT's continuous commitment to financial transparency, integrity, and accountability to the American taxpayer. It also demonstrates that the Department is a trustworthy steward of public funds and can accurately and effectively account for the resources under our care in the execution of our mission. During the year, DOT addressed issues and deficiencies found from the prior year's audit prioritizing the development and implementation of corrective actions. There were also no material weaknesses found during this year's audit, which is a testament to the quality and soundness of the Department's financial management systems and processes.

Enhanced financial management systems to support critical projects. The financial system environment has been continuously evolving to support pandemic response initiatives (e.g., CARES Act, ARPA, Aviation Manufacturing Jobs Protection Program), as well as key government wide efforts like G-invoicing, and Digital

Message from the Deputy Assistant Secretary for Finance and Budget *(cont.)*

Accountability and Transparency Act (DATA Act). Additionally, the team supported the successful migration of the Office of Personnel Management (OPM) to DOT's financial and procurement system solution. The team supported all these system changes by not only ensuring they were implemented on time, but also that appropriate controls were in place to ensure reliability and auditability.

The Department is proud of our financial management accomplishments in FY 2021 and will continue its commitment to proper stewardship and transparency of taxpayer dollars in the future. DOT's continued efforts with risk identification and management, along with enhancing our financial management systems, and improvements of our cybersecurity posture will improve the Department's ability to detect and deter attempted intrusions around our systems environment.

As we look to the exciting investments in our nation's infrastructure on the horizon, DOT will remain a constant force in support of COVID-19 recovery efforts by ensuring critical resources are provided to the nation's transportation systems, transportation employees, and public citizens in a timely fashion. DOT will prioritize the remediation of identified issues or deficiencies within the financial management environment by aggressively correcting known issues while identifying opportunities for improvement. Doing so will improve the financial reporting processes and allow the Department to maintain its clean audit opinion and the public's confidence in our financial management and reporting.

Sincerely,

Victoria B. Wassmer

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 15, 2021

Subject: ACTION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2021 and 2020 | Report No. QC2022015

From: Eric J. Soskin
Inspector General

To: The Secretary

I respectfully submit the results of our quality control review (QCR) of the independent auditors' report on the Department of Transportation's (DOT) audited consolidated financial statements for fiscal years 2021 and 2020.

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, 2021, and September 30, 2020, and provide an opinion on those financial statements, report on internal control over financial reporting, and report on compliance with laws and other matters. The contract required 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) 366-8543 or Dormayne Dillard-Christian, Acting Assistant Inspector General for Financial Audits, at (202) 570-6381.

cc: DOT Audit Liaison, M-1
Federal Aviation Administrator

[1] GAO, *Financial Audit Manual*, Volume 1 (GAO-18-601G), April 2020; Volume 2 (GAO-18-625G), March 2021; Volume 3 (GAO-21-105127), September 2021.

Federal Aviation Administration Audit Liaison, AAE-001
Federal Highway Administrator
Federal Highway Administration Audit Liaison, HCFB-23
Federal Transit Administrator
Federal Transit Administration Audit Liaison, TBP-30

Independent Auditors' Report

In its report on DOT's consolidated financial statements for fiscal years 2021 and 2020, KPMG states that

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

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[2] DOT's full Financial Report is available at https://www.transportation.gov/mission/budget/financial-management.
[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 but 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.

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

Weaknesses in controls over the monitoring of service organizations. KPMG found control deficiencies existed over the monitoring of the Department's service organizations and assessment of impact to their system of internal control over financial reporting. Specifically,

- controls were not designed and implemented over the risk assessment process to identify and develop an approach to assess the control environment relevant to internal controls over financial reporting when the reporting period of the service organization report is not aligned with Department's fiscal year;
- controls were not operating effectively to demonstrate or document a review of service organization controls (SOC) reports and the related subservice provider reports; and
- management did not document their considerations over the results of an applicable service organization report, and the potential impact of findings in the SOC report on its internal control over the financial reporting process.

Recommendations

KPMG made the following recommendations to help strengthen DOT's general information technology controls and monitoring of service organizations controls. 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;

5. Strengthen its policies and procedures to formalize a complete process to assess and monitor applicable third-party service organizations risk assessment to determine the impact of a timing gap between the issuance of service organization SOC reports and the Department's fiscal year;
6. Strengthen its policies and procedures to formalize a complete process to assess and monitor applicable third-party service organizations documented review of applicable SOC reports, which includes a consideration of results year over year, implementation of the service organizations' recommended complimentary user entity controls and monitor such controls for proper design, implementation and operating effectiveness; and
7. Strengthen its policies and procedures to formalize a complete process to assess and monitor applicable third-party service organizations review and evaluation of findings identified within the service organization's SOC report and assess the impact on the Department's internal control over financial reporting.

Quality Control Review

We performed a QCR of KPMG's report, dated November 12, 2021, 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 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 9, 2021, and received DOT's response, dated November 12, 2021 (see attachment 2). DOT agreed with the deficiencies KPMG found. DOT also concurred with KPMG's seven recommendations and committed to developing a corrective action plan to address the deficiencies by December 31, 2021. 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, 2021 and 2020, 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. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 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, 2021 and 2020, 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.

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, Other Information and List of Acronyms sections are presented for purposes of additional analysis and is not a required part 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, 2021, 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 as items 2021-01 and 2021-02, 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, 2021 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 consolidated 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. 21-04.

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 12, 2021

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

Exhibit I
Significant Deficiencies

2021 - 01: Weaknesses in General Information Technology Controls

Background

The Department 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. Government 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:

- Remediation was not completed for controls identified in the prior year as 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.

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

I-1

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 which 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
Significant Deficiencies

2021 - 02: Weaknesses in Monitoring of Service Organizations

Background

The Department engages various external parties to perform select operations on its behalf. These service organizations include, but are not limited to, a payroll provider to process personnel actions and payroll transactions and a cloud hosting service.

Criteria

The Green Book standards for internal control require entities to perform ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Management retains responsibility for monitoring the effectiveness of internal control over the assigned processes performed by service organizations. Management uses ongoing monitoring, separate evaluations, or a combination of the two to obtain reasonable assurance of the operating effectiveness of the service organization's internal controls over the assigned process. Monitoring activities related to service organizations may include the use of work performed by external parties, such as service auditors, and reviewed by management.

Further, the standards require that management evaluate and document internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis. Management evaluates issues identified through monitoring activities or reported by personnel to determine whether any of the issues rise to the level of an internal control deficiency. Internal control deficiencies require further evaluation and remediation by management.

Condition

Control deficiencies exist in the monitoring over the Department's service organizations and assessment of the impact to their system of internal control over financial reporting. Specifically:

1. Controls are not designed and implemented over the risk assessment process to identify and develop an approach to assess the control environment relevant to its internal controls over financial reporting when the reporting period of the service organization report is not aligned with Department's fiscal year.
2. Controls were not operating effectively to demonstrate or document a review of Service Organization Controls (SOC) reports and the related subservice provider reports.
3. Management did not document their considerations over the results of an applicable service organization report, and the potential impact of findings in the SOC report on its internal control over the financial reporting process.

Cause

Management's current oversight process surrounding service organizations is not adequately defined and documented to allow the Department to achieve its monitoring objectives in support of internal controls over financial reporting.

Effect

The absence of a properly documented risk assessment, monitoring and evaluation of service organizations and the related SOC reports increases the risk that DOT management does not effectively monitor and assess the following:

1. The impact of services and related controls (or lack thereof) provided by third-party service providers on the financial reporting processes.

2. The impact of exceptions to the operating effectiveness of controls at the third-party service organization on the financial statements of the Department.

Recommendations

We recommend management strengthen its policies and procedures to formalize a complete process to assess and monitor applicable third-party service organizations that includes:

1. Risk assessment to determine the impact of a timing gap between the issuance of service organization SOC reports and the Department's fiscal year.

2. Documented review of applicable SOC reports, which includes a consideration of results year over year, implementation of the service organizations' recommended complimentary user entity controls and monitor such controls for proper design, implementation and operating effectiveness.

3. Review and evaluation of findings identified within the service organization's SOC report and assess the impact on the Department's internal control over financial reporting.

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

Memorandum

Subject: **INFORMATION:** Management Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2021

From: Victoria B. Wassmer
Deputy Assistant Secretary for Finance and Budget

VICTORIA BAECHER WASSMER
Digitally signed by VICTORIA BAECHER WASSMER
Date: 2021.11.12 08:05:01 -05'00'

To: Eric J. Soskin
Inspector General

James Gould
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. Our financial management professionals came together, like no time before, to ensure the agency's mission and financial management objectives were achieved. We take great pride in our ability to sustain strong and vigilant financial management, as demonstrated in our achievement of an unmodified audit opinion.

We view the audit as an opportunity for continuous improvement as we promote the prudent, effective, and efficient use of funds across the Department. We concur with the two 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, 2021.

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, 2021 and 2020

DOLLARS IN THOUSANDS	2021	2020
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 114,363,099	$ 65,290,548
Investments, Net (Note 3)	30,264,917	22,390,869
Accounts Receivable, Net (Note 4)	88,926	80,621
Advances and Prepayments (Note 5)	18,929	23,431
Total Intragovernmental	**144,735,871**	**87,785,469**
With the Public		
Accounts Receivable, Net (Note 4)	104,738	98,887
Loans Receivable, Net (Note 6)	15,245,491	16,874,044
Inventory and Related Property, Net (Note 7)	1,037,990	1,057,263
General Property, Plant and Equipment, Net (Note 8)	12,711,237	12,440,128
Advances and Prepayments (Note 5)	2,981,814	1,354,688
Other Assets	-	88
Total with the Public	**32,081,270**	**31,825,098**
Total Assets	**$ 176,817,141**	**$ 119,610,567**
Stewardship Property, Plant and Equipment (Note 9)		
LIABILITIES (NOTE 10)		
Intragovernmental		
Accounts Payable	$ 12,887	$ 35,793
Debt (Note 11)	15,065,013	17,007,979
Advances From Others and Deferred Revenue	674,370	515,607
Other Liabilities (Note 14)	1,560,552	769,306
Total Intragovernmental	**17,312,822**	**18,328,685**
With the Public		
Accounts Payable	565,931	586,858
Loan Guarantee Liability (Note 6)	145,644	192,993
Federal Employee Benefits Payable	1,495,873	1,511,202
Environmental and Disposal Liabilities (Note 12 and Note 16)	864,883	876,612
Advances From Others and Deferred Revenue	279,028	392,406
Other Liabilities		
Accrued Grant Liabilities (Note 13)	16,091,015	15,791,963
Other Liabilities (Note 14)	546,751	506,949
Total with the Public	**19,989,125**	**19,858,983**
Total Liabilities	**$ 37,301,947**	**$ 38,187,668**
Commitments and contingencies (Note 16)		
NET POSITION		
Unexpended Appropriations—Funds From Dedicated Collections (Combined) (Note 17)	$ 719,382	$ 489,609
Unexpended Appropriations—Funds from Other than Dedicated Collections (Combined)	95,377,129	45,324,553
Total Unexpended Appropriations (Combined)	96,096,511	45,814,162
Cumulative Results of Operations - Funds From Dedicated Collections (Combined) (Note 17)	32,310,357	24,367,243
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Combined)	11,108,326	11,241,494
Total Cumulative Results of Operations (Combined)	43,418,683	35,608,737
Total Net Position	139,515,194	81,422,899
Total Liabilities and Net Position	**$ 176,817,141**	**$ 119,610,567**

CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2021 and 2020

DOLLARS IN THOUSANDS	2021	2020
Program Costs		
SURFACE TRANSPORTATION		
Gross Costs	$ 76,859,546	$ 83,184,207
Less: Earned Revenue	1,002,010	1,175,521
Net Program Costs	**75,857,536**	**82,008,686**
AIR TRANSPORTATION		
Gross Costs	26,493,424	25,978,273
Less: Earned Revenue	467,769	555,638
Net Program Costs	**26,025,655**	**25,422,635**
MARITIME TRANSPORTATION		
Gross Costs	817,428	1,041,356
Less: Earned Revenue	479,784	461,255
Net Program Costs	**337,644**	**580,101**
CROSS-CUTTING PROGRAMS		
Gross Costs	492,317	603,825
Less: Earned Revenue	115,711	177,924
Net Program Costs	**376,606**	**425,901**
Costs Not Assigned to Programs	259,691	229,339
Less: Earned Revenues Not Attributed to Programs	6,429	1,448
Net Cost of Operations	**$ 102,850,703**	**$ 108,665,214**

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2021 and 2020

DOLLARS IN THOUSANDS	2021			2020		
	Funds from Dedicated Collections (Combined)	Funds from Other than Dedicated Collections (Combined)	Total	Funds from Dedicated Collections (Combined)	Funds from Other than Dedicated Collections (Combined)	Total
UNEXPENDED APPROPRIATIONS						
Beginning Balance	$ 489,609	$ 45,324,553	$ 45,814,162	$ 734,821	$ 33,462,200	$ 34,197,021
Appropriations Received *(Note 1W)*	483,500	109,645,432	110,128,932	167,000	46,899,549	47,066,549
Appropriations Transferred-in/(out)	-	10,000	10,000	(15,536)	10,000	(5,536)
Other Adjustments	(50,235)	(489,484)	(539,719)	(59,638)	(35,079)	(94,717)
Appropriations Used	(203,492)	(59,113,372)	(59,316,864)	(337,038)	(35,012,117)	(35,349,155)
Net Change in Unexpended Appropriations	229,773	50,052,576	50,282,349	(245,212)	11,862,353	11,617,141
Total Unexpended Appropriations: Ending	**719,382**	**95,377,129**	**96,096,511**	**489,609**	**45,324,553**	**45,814,162**
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	24,367,243	11,241,494	35,608,737	44,901,862	11,512,796	56,414,658
Other Adjustments	-	(64)	(64)	1,971	(46)	1,925
Appropriations Used	203,492	59,113,372	59,316,864	337,038	35,012,117	35,349,155
Nonexchange Revenue *(Note 18)*	52,003,570	1,224	52,004,794	52,368,096	1,282	52,369,378
Donations/Forfeitures of Cash/Cash Equivalents	1,272	-	1,272	1,167	-	1,167
Transfers-in/(out) Without Reimbursement	27,136,172	(27,097,963)	38,209	9,252,263	(9,179,171)	73,092
Donations and Forfeitures of Property	-	25,703	25,703	-	(115,784)	(115,784)
Imputed Financing	421,398	63,269	484,667	368,673	55,691	424,364
Other	(1,064,619)	(146,177)	(1,210,796)	(1,356,373)	1,112,369	(244,004)
Net Cost of Operations	70,758,171	32,092,532	102,850,703	81,507,454	27,157,760	108,665,214
Net Change in Cumulative Results of Operations	7,943,114	(133,168)	7,809,946	(20,534,619)	(271,302)	(20,805,921)
Cumulative Results of Operations: Ending	**32,310,357**	**11,108,326**	**43,418,683**	**24,367,243**	**11,241,494**	**35,608,737**
Net Position	**$ 33,029,739**	**$ 106,485,455**	**$ 139,515,194**	**$ 24,856,852**	**$ 56,566,047**	**$ 81,422,899**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2021 and 2020

DOLLARS IN THOUSANDS	2021		2020	
	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	$ 61,474,648	$ 368,210	$ 61,161,514	$ 517,324
Appropriations (Note 1W)	126,592,572	-	71,774,471	-
Borrowing Authority	-	10,565,919	-	4,519,585
Contract Authority	62,016,434	-	62,014,956	-
Spending Authority From Offsetting Collections	13,180,433	998,615	12,853,556	516,704
Total Budgetary Resources	**$ 263,264,087**	**$ 11,932,744**	**$ 207,804,497**	**$ 5,553,613**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 165,188,713	$ 10,930,135	$ 147,346,615	$ 5,268,053
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	76,345,700	322,407	39,608,570	90,944
Unapportioned, Unexpired Accounts	21,485,890	680,202	20,601,807	194,616
Unexpired Unobligated Balance, End of Year	97,831,590	1,002,609	60,210,377	285,560
Expired Unobligated Balance, End of Year	243,784	-	247,505	-
Unobligated Balance, End of Year	**98,075,374**	**1,002,609**	**60,457,882**	**285,560**
Total Budgetary Resources	**$ 263,264,087**	**$ 11,932,744**	**$ 207,804,497**	**$ 5,553,613**
OUTLAYS, NET, AND DISBURSEMENTS, NET				
Outlays, Net	$ 135,926,326		$ 112,108,737	
Distributed Offsetting Receipts	(30,646,484)		(11,801,716)	
Agency Outlays, Net	**$ 105,279,842**		**$ 100,307,021**	
Disbursements, Net		**$ (2,691,022)**		**$ (3,725,801)**

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 Great Lakes Saint Lawrence Seaway Development Corporation (GLS) is a wholly owned Government corporation and an Operating Administration of the Department. However, GLS'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 GLS is subject to separate reporting requirements under the Government Corporation Control Act and undergoes its own annual financial statement audit. GLS'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, intra-entity

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

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. 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 April 2021.

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 April 2021. 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 2021 and FY 2020, 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

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 receivable is 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.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

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. Advances to others and prepayments primarily relates to the FRA advances provided to Amtrak.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

balances at retirement under the terms of certain union agreements. 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.

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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

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.

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, U.S. Army Corps of Engineers, Internal Revenue Service (IRS), U.S.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

Department of Housing and Urban Development, Denali Commission, U.S. Department of Navy, U.S. Department of the Air Force, U.S. Department of Agriculture, U.S. Department of Treasury, and the Appalachian Regional Commission.

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 the Interior, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, U.S. Department of Defense (DoD), and the Appalachian Regional Commission. 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 (Non-exchange)

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, 2021 financial statements reflect excise taxes certified by the IRS through June 30, 2021 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2021 to September 30, 2021, as specified by FASAB Statement of Federal Financial Accounting Standard (SFFAS) Number 7, Accounting for Revenue and Other Financing Sources. 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.

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 October 5, 2018, former 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

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, former President Trump signed the Continuing Appropriations Act, 2021 and Other Extensions Act, P.L 116-159, which extended the HTF authorizations to September 30, 2021. P.L. 166-159 also appropriated $13.6 billion and $14 billion in cash transfers from the General Fund of the U.S. Government to the HTF and AATF, respectively. On October 2, 2021, President Biden signed the Surface Transportation Extension Act of 2021, extending the HTF authorization through October 31, 2021. On October 31, 2021, President Biden also signed the Surface Transportation Extension Act of 2021, further extending the HTF authorization through December 3, 2021.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) was signed into law by former 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.

Additionally, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), P.L. 116-260, was signed into law on December 27, 2020 providing $27 billion in supplemental general fund appropriations to further the COVID-19 relief efforts. In addition, on March 11, 2021, the American Rescue Plan Act of 2021 (ARPA), P.L. 117-02, was signed into law proving $43 billion in supplemental appropriations also in response to COVID-19.

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 2021, certain financial statements and notes have been reclassified to conform to changes in reporting requirements. In addition, the format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. The presentation of the fiscal year 2020 Balance Sheet was modified to be consistent with the fiscal year 2021 presentation.

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 Activites

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.

AB. Subsequent Events

Effective October 1, 2021, the Department is operating under a continuing resolution (CR), Public Law 117-43, to continue Government operations. The CR will be in effect through December 3, 2021, unless superseded by enactment of specified appropriations legislation and includes a provision that allows the DOT to continue spending at FY 2021 rates.

On October 14, 2021, the Riverside County Transportation Commission prepaid its Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in full, with accrued interest, for the SR-91 Corridor Improvement Project ("SR-91") in the total amount of $509.8 million.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2021 and 2020 consists of the following:

DOLLARS IN THOUSANDS	2021	2020
STATUS OF FUND BALANCE WITH TREASURY		
Unobligated Balance		
Available	$ 72,084,789	$ 34,712,377
Unavailable	3,426,866	2,742,428
Obligated Balance Not Yet Disbursed	37,793,860	27,494,994
Non-Budgetary Fund Balance with Treasury	1,057,584	340,749
Total	**$ 114,363,099**	**$ 65,290,548**

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 the additional appropriations received in FY2021 from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and the American Rescue Plan Act of 2021 to continue the COVID-19 relief efforts, DOT reports significantly more Fund Balances with Treasury than the prior year. (See Note 24)

NOTE 3. INVESTMENTS

Investments as of September 30, 2021 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	$ 32,009	$ (201)	$ 31,808	$ 32,269
Non-Marketable Par Value	27,945,251	-	27,945,251	27,945,251
Non-Marketable Market-Based	2,217,198	13,213	2,230,411	2,240,042
Subtotal	**30,194,458**	**13,012**	**30,207,470**	**30,217,562**
Accrued Interest Receivable	57,447	-	57,447	
Total Intragovernmental Securities and Investments	**$ 30,251,905**	**$ 13,012**	**$ 30,264,917**	**$ 30,217,562**

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

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
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 and Investments	**$ 22,379,171**	**$ 11,698**	**$ 22,390,869**	**$ 22,367,814**

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, 2021 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	$ 79,984	$ (4,058)	$ 75,926
Transfers Receivable	13,000	-	13,000
Total Intragovernmental	**92,984**	**(4,058)**	**88,926**
WITH THE PUBLIC			
Accounts Receivable	275,895	(172,682)	103,213
Accrued Interest	5,509	(3,984)	1,525
Total with the Public	**281,404**	**(176,666)**	**104,738**
Total Accounts Receivable	**$ 374,388**	**$ (180,724)**	**$ 193,664**

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	$ 72,702	$ (5,534)	$ 67,168
Transfers Receivable	13,453	-	13,453
Total Intragovernmental	**86,155**	**(5,534)**	**80,621**
WITH THE PUBLIC			
Accounts Receivable	268,953	(171,342)	97,611
Accrued Interest	4,634	(3,358)	1,276
Total with the Public	**273,587**	**(174,700)**	**98,887**
Total Accounts Receivable	**$ 359,742**	**$ (180,234)**	**$ 179,508**

The intragovermental transfer receivable amount of $13 million and $13.5 million, respectively, represents transfers receivable from balances that are currently invested by other federal entities. The funds will remain invested until needed for disbursement. At such time, DOT will request a transfer of funds.

NOTE 5. ADVANCES AND PREPAYMENTS

Advances and Prepayments consist of the following as of September 30, 2021 and 2020

DOLLARS IN THOUSANDS	2021	2020
INTRAGOVERNMENTAL		
Advances to Others and Prepayments	$ 18,929	$ 23,431
Total Intragovernmental	**$ 18,929**	**$ 23,431**
WITH THE PUBLIC		
Advances to States for Right of Way	$ 252	$ 252
Advances to Others and Prepayments	2,981,562	1,354,436
Total with the Public	**$ 2,981,814**	**$ 1,354,688**

Intragovernmental Advances to Others and Prepayments 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 Advances to Others and Prepayments are comprised of advances to States, employees, grantees, and contractors, for expenses not yet incurred and services not yet received. The $2.98 billion and $1.35 billion of public advances to others and prepayments is primarily related to the advances provided to Amtrak for expenses not yet incurred and services not yet received. Due to the additional funding for Amtrak in the CRRSAA and ARPA appropriations during FY2021, Amtrak received significantly more advances than the prior year. (See Note 24)

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

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.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

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 FY2019, 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 and transferring payments to the FFB.

4. The OST Minority Business Resource Center (MBRC) Guaranteed Loan Program was created to help small businesses gain access to the 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. As of the end of FY 2021, the loan guarantee terms expired on the remainig program loans.

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

	2021 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	$ 759,953	$ 128	$ -	$ (109,555)	$ 650,526
(2) TIFIA Loans	13,590,873	-	166,635	338,728	14,096,236
(3) Federal Ship Financing Fund (Title XI)	311,675	-	-	(16,347)	295,328
Total	**$ 14,662,501**	**$ 128**	**$ 166,635**	**$ 212,826**	**$ 15,042,090**

	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**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Total Amount Of Direct Loans Disbursed (Post-1991)

Dollars in Thousands

	2021	2020
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Program	$ 50	$ 244,584
(2) TIFIA Loans	1,354,393	1,665,525
(3) Federal Ship Financing Fund (Title XI)	-	325,527
Total	**$ 1,354,443**	**$ 2,235,636**

Subsidy Expense For Direct Loans By Program And Component

Subsidy Expense for New Direct Loans Disbursed

	2021 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Program	$ -	$ 1	$ (1)	$ -	$ -
(2) TIFIA Loans	-	47,727	-	(3,000)	44,727
Total	**$ -**	**$ 47,728**	**$ (1)**	**$ (3,000)**	**$ 44,727**

	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**

Modifications and Reestimates

	2021 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) Railroad Rehabilitation Improvement Program	$ -	$ -	$ (79,683)	$ (79,683)
(2) TIFIA Loans	592,776	(691,248)	(165,319)	(856,567)
(3) Federal Ship Financing Fund (Title XI)	-	5	171	176
Total	**$ 592,776**	**$ (691,243)**	**$ (244,831)**	**$ (936,074)**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

	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

	2021	2020
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Program	$ (79,683)	$ (37,467)
(2) TIFIA Loans	(219,064)	307,173
(3) Federal Ship Financing Fund (Title XI)	176	461
Total	**$ (298,571)**	**$ 270,167**

Budget Subsidy Rates For Direct Loans For The Current Year Cohort

	2021 Interest Differential	Defaults	Fees And Other Collections	Other	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Program	-1.96%	1.86%	0.00%	0.10%	0.00%
(2) TIFIA Loans Risk Category 1	-0.84%	1.81%	0.00%	0.00%	0.97%
(3) Federal Ship Financing Fund (Title XI)	0.00%	0.00%	0.00%	0.00%	0.00%

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.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

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

DOLLARS IN THOUSANDS	2021	2020
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Subsidy Cost Allowance	$ 4,176	$ (377,823)
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	47,728	124,723
Fees and Other Collections	(1)	(16,074)
Other Subsidy Costs	(3,000)	(5,121)
Total of the Above Subsidy Expense Components	**44,727**	**103,528**
Adjustments		
Loan modifications	592,776	-
Fees received	10	15,699
Subsidy Allowance Amortization	81,558	96,133
Other	1	-
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**723,248**	**(162,463)**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(691,243)	(369,742)
Technical/Default Reestimate	(244,831)	536,381
Total of the Above Reestimate Components	**(936,074)**	**166,639**
Ending Balance of the Subsidy Cost Allowance	**$ (212,826)**	**$ 4,176**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Direct Loans Receivable

	2021
Direct Loans receivable, net - beginning of the year	$ 16,669,330
Add: Direct Loans Disbursed Payments	1,354,443
Add: Capitalized Interest	248,971
Less: Principal and Interest Payments Received	(3,447,657)
Less: Fees Received	(10)
Less: Subsidy Expense	(47,728)
Add: Negative Subsidy Payments	3,001
Less: Upward Reestimates	(223,029)
Add: Downward Reestimates	1,159,103
Less: Subsidy Allowance Amortization	(81,558)
Less: Loan Modifications	(592,776)
Direct Loans receivable, Net - end of year	**$ 15,042,090**

During FY 2021, the Department incurred loan modification costs related to the refinancing of five TIFIA loans to borrowers with new loans at lower interest rates. 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 2021 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.

The Federal Ship Financing Fund (Title XI) FFB loan upward technical reestimate was the result of a reassessment of risk levels on the loan portfolio.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Guaranteed Loans

Defaulted Guaranteed Loans From Post-1991 Guarantees

LOAN GUARANTEE PROGRAMS	2021 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy	Assets Related To Default Guaranteed Loans Receivable, Net
(3) Federal Ship Financing Fund (Title XI)	$ 202,392	$ -	$ 1,009	$ -	$ 203,401
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	**$ 203,116**	**$ 72**	**$ 1,009**	**$ (796)**	**$ 203,401**

LOAN GUARANTEE PROGRAMS	2020 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy	Assets Related To Default Guaranteed Loans Receivable, Net
(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**

Guaranteed Loans Outstanding

LOAN GUARANTEE PROGRAMS	2021 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
(3) Federal Ship Financing Fund (Title XI)	$ 1,223,674	$ 1,223,674
Total	**$ 1,223,674**	**$ 1,223,674**

Liability For Loan Guarantee (Present Value Method)

LOAN GUARANTEE PROGRAMS	2021 Liabilities for Post-1991 Guarantees, Present Value
(3) Federal Ship Financing Fund (Title XI)	$ 145,734
(4) OST Minority Business Resource Center	(90)
Total	**$ 145,644**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Subsidy Expense For Loan Guarantees By Program And Component

Modifications and Reestimates

LOAN GUARANTEE PROGRAMS	2021 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
(3) Federal Ship Financing Fund (Title XI)	$ -	$ (15,360)	$ (31,025)	$ (46,385)
(4) OST Minority Business Resource Center	-	-	(196)	(196)
Total	**$ -**	**$ (15,360)**	**$ (31,221)**	**$ (46,581)**

LOAN GUARANTEE PROGRAMS	2020 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
(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

LOAN GUARANTEE PROGRAMS	2021	2020
(3) Federal Ship Financing Fund (Title XI)	$ (46,385)	$ 38,270
(4) OST Minority Business Resource Center	(196)	181
Total	**$ (46,581)**	**$ 38,451**

Budget Subsidy Rates For Loan Guarantees For The Current Year Cohort

LOAN GUARANTEE PROGRAMS	2021 Interest Supplements	Defaults	Fees And Other Collections	Other	Total
(3) Federal Ship Financing Fund (Title XI) Risk Category 4	0.00%	0.00%	0.00%	0.00%	0.00%
(4) OST Minority Business Resource Center	0.00%	0.00%	0.00%	0.00%	0.00%

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loan guarantees reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

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

DOLLARS IN THOUSANDS	2021	2020
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Loan Guarantee Liability	$ 192,993	$ 156,859
Less: Claim Payments To Lenders	-	(301)
Less: Interest Revenue on Uninvested Funds	(1)	-
Add: Interest Expense on Entity Borrowings	2	-
Add: Upward Reestimates	720	38,451
Less: Downward Reestimates	(47,301)	-
Other	**(769)**	**(2,016)**
Ending Balance of the Loan Guarantee Liability	**$ 145,644**	**$ 192,993**

Defaulted Guarantee Loan Receivable

	2021
Guaranteed Loans receivable, net - beginning of the year	$ 204,714
Less: Principal and Interest Payments Received	(1,293)
Less: Sale of Foreclosed Property	(20)
Defaulted Guaranteed Loans receivable, Gross - end of year	**$ 203,401**

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

The OST Minority Business Resource Center program will report closing upward and downward re-estimates once the remaining cohort of borrowers complete the final collection process with Treasury.

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2021 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 & RELATED PROPERTY

Inventory and Related Property as of September 30, 2021 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	$ 263,288	$ -	$ 263,288
Inventory Held for Repair	433,515	-	433,515
Other	38,539	-	38,539
Total Inventory	**735,342**	**-**	**735,342**
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	237,737	(1,985)	235,752
Items Held in Reserve for Future Use	38,901	-	38,901
Excess, Obsolete and Unserviceable Items	2,849	(1,635)	1,214
Items Held for Repair	51,080	(24,299)	26,781
Total Operating Materials & Supplies	**330,567**	**(27,919)**	**302,648**
Total Inventory and Related Property			**$ 1,037,990**

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 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 $6.2 million in FY 2021 and $3.1 million in FY 2020.

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 & EQUIPMENT, NET

General Property, Plant and Equipment as of September 30, 2021 consists of the following:

DOLLARS IN THOUSANDS	Service Life	Acquisition Value	Accumulated Depreciation Amortization	Book Value
MAJOR CLASSES				
Land and Improvements	10-40	$ 102,980	$ (2,361)	$ 100,619
Buildings and Structures	20-40	7,367,117	(4,351,795)	3,015,322
Furniture and Fixtures	7-10	439	(439)	-
Equipment	5-15	18,379,590	(13,820,916)	4,558,674
Internal Use Software	3-10	5,061,762	(2,727,650)	2,334,112
Assets Under Capital Lease	6-10	94,988	(55,605)	39,383
Leasehold Improvements	3	205,136	(159,307)	45,829
Aircraft	20	440,700	(369,338)	71,362
Ships and Vessels	15-25	1,958,295	(1,942,132)	16,163
Small Boats	10-18	29,614	(29,417)	197
Construction-in-Progress	N/A	2,529,576	-	2,529,576
Total		**$ 36,170,197**	**$ (23,458,960)**	**$ 12,711,237**

	Net PPE 2021
Balance Beginning of Year	$ 12,440,128
Capitalized Acquisitions	1,742,666
Dispositions	(1,176)
Revaluations	(156,837)
Donations	25,703
Transfers	15,088
Other	1,869
Depreciation Expense	(1,356,204)
Balance End of Year	**$ 12,711,237**

NOTE 8. GENERAL PROPERTY, PLANT & EQUIPMENT, NET *(CONT.)*

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

DOLLARS IN THOUSANDS	Service	Acquisition	Accumulated Depreciation	Book Value
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 2020
Balance Beginning of Year	$ 12,557,630
Capitalized Acquisitions	1,330,062
Dispositions	(76,071)
Revaluations	(62,313)
Donations	35,860
Transfers	7,148
Other	(91,181)
Depreciation Expense	(1,261,007)
Balance End of Year	**$ 12,440,128**

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.

See Note 1I for additional information on DOT Accounting Policies related to General Property, Plant and Equipment, net.

NOTE 9. STEWARDSHIP PROPERTY, PLANT, & 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, 2021.

	Units As Of 9/30/2020	Additions	Withdrawals	Units As Of 9/30/2021
HERITAGE ASSETS				
Personal Property				
Artifacts	549	1	(25)	525
Other Collections	6,199	7	(35)	6,171
Total Personal Property Heritage Assets	**6,748**	**8**	**(60)**	**6,696**

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.

NOTE 9. STEWARDSHIP PROPERTY, PLANT, & EQUIPMENT *(CONT.)*

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, 2021 and 2020 consist of the following:

DOLLARS IN THOUSANDS	2021	2020
INTRAGOVERNMENTAL		
Accounts Payable	$ 6,234	$ 6,232
Other Liabilities		
Unfunded FECA Liabilities	158,465	164,648
Unfunded Employment Related Liability	32,881	34,010
Liability for Nonentity Assets	1,207,074	423,443
Other Liabilities	1	4,186
Total Intragovernmental	**1,404,655**	**632,519**
WITH THE PUBLIC		
Federal Employee Benefits Payable	1,479,573	1,496,378
Environmental and Disposal Liabilities (Note 12)	792,949	786,591
Other Liabilities		
Legal Claims	56,629	58,454
Capital Lease Liabilities	45,344	51,348
Other Liabilities	24,547	19,031
Total with the Public	**2,399,042**	**2,411,802**
Total Liabilities Not Covered by Budgetary Resources	**3,803,697**	**3,044,321**
Total Liabilities Covered by Budgetary Resources	33,472,657	35,120,160
Total Liabilities Not Requiring Budgetary Resources	25,593	23,187
Total Liabilities	**$ 37,301,947**	**$ 38,187,668**

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 $1.2 billion and $0.4 billion of liability for nonentity assets for FY 2021 and FY 2020, 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

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES *(CONT.)*

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.

Certain line items may not tie to the related financial statement line item due to information contained in this note is related only to liabilities not covered by budgetary resources.

NOTE 11. DEBT

Debt activities during the fiscal year ended September 30, 2021 and September 30, 2020 consist of the following:

DOLLARS IN THOUSANDS	2020 Beginning Balance	2020 Net Borrowing	2020 Ending Balance	2021 Net Borrowing	2021 Ending Balance
INTRAGOVERNMENTAL DEBT					
Debt to the Treasury	$ 20,756,047	$ (4,073,596)	$ 16,682,451	$ (1,929,113)	$ 14,753,337
Debt to the Federal Financing Bank	-	325,528	325,528	(13,852)	311,676
Total Intragovernmental Debt	**$ 20,756,047**	**$ (3,748,068)**	**$ 17,007,979**	**$ (1,942,965)**	**$ 15,065,013**

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 2021, DOT's U.S. Treasury borrowings carried interest rates ranging from .70 percent to 6.1 percent. The maturity dates for these borrowings occur from September 2023 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 & DISPOSAL LIABILITIES

Environmental and Disposal Liabilities as of September 30 consist of the following:

DOLLARS IN THOUSANDS	2021	2020
Environmental Remediation	$ 348,274	$ 354,214
Asset Disposal	516,609	522,398
Total Environmental and Disposal Liabilities	**$ 864,883**	**$ 876,612**

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

NOTE 12. ENVIRONMENTAL & DISPOSAL LIABILITIES *(CONT.)*

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, 2021 and 2020, 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 an 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.

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, 2021, includes the estimated cost of disposing 78 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 labilities.

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 Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), the American Rescue Plan Act of 2021, and Cares Act appropriations received during FY 2021 and 2020, DOT reports more grant accruals than the prior year. (See Note 24)

Grant accruals by DOT Operating Administrations as of September 30, 2021 and 2020 were as follows:

DOLLARS IN THOUSANDS	2021	2020
Federal Highway Administration	$ 5,832,528	$ 6,200,450
Federal Transit Administration	2,780,462	4,207,520
Federal Aviation Administration	7,230,444	5,161,060
Other Operating Administrations	247,581	222,933
Total Grant Accrual	**$ 16,091,015**	**$ 15,791,963**

NOTE 14. OTHER LIABILITIES

Other Liabilities as of September 30, 2021 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	136,280	136,280
FECA Billings	85,637	73,087	158,724
Liability for Nonentity Assets	-	1,207,074	1,207,074
Other Accrued Liabilities	-	58,474	58,474
Total Intragovernmental	**85,637**	**1,474,915**	**1,560,552**
WITH THE PUBLIC			
Accrued Pay and Benefits	-	398,209	398,209
Legal Claims	-	56,629	56,629
Capital Leases (Note 15)	37,285	8,059	45,344
Other Accrued Liabilities	-	46,569	46,569
Total with the Public	**37,285**	**509,466**	**546,751**
Total Other Liabilities	**$ 122,922**	**$ 1,984,381**	**$ 2,107,303**

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

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	119,452	119,452
FECA Billings	89,337	75,692	165,029
Liability for Nonentity Assets	-	423,443	423,443
Other Accrued Liabilities	-	61,382	61,382
Total Intragovernmental	**89,337**	**679,969**	**769,306**
WITH THE PUBLIC			
Accrued Pay and Benefits	-	356,248	356,248
Legal Claims (Note 16)	-	58,454	58,454
Capital Leases (Note 15)	44,381	6,967	51,348
Other Accrued Liabilities	-	40,899	40,899
Total with the Public	**44,381**	**462,568**	**506,949**
Total Other Liabilities	**$ 133,718**	**$ 1,142,537**	**$ 1,276,255**

NOTE 15. LEASES

Entity As Lessee

Capital Leases

As of September 30, 2021 and 2020, capital leases were comprised of the following:

DOLLARS IN THOUSANDS	2021	2020
SUMMARY OF ASSETS UNDER CAPITAL LEASE BY CATEGORY		
Land, Buildings & Machinery	$ 94,988	$ 94,988
Accumulated Amortization	(55,605)	(52,039)
Net Assets Under Capital Lease	**$ 39,383**	**$ 42,949**

As of September 30, 2021, all assets were under non-Federal capital lease.

As of September 30, 2021, DOT's future payments due on assets under capital lease were:

Fiscal Year	Non-Federal
FUTURE PAYMENTS DUE	
FY 2022	$ 8,059
FY 2023	8,038
FY 2024	7,891
FY 2025	7,238
FY 2026	6,701
FY 2027+	14,893
Total Future Lease Payments	**52,820**
Less: Imputed Interest	7,476
Net Capital Lease Liability	**$ 45,344**

As of September 30, 2021, 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.

Operating Leases

DOT has operating leases for real property, aircraft, telecommunications equipment and vehicles. Operating lease expenses incurred were $301.6 million and $296 million for the years ended September 30, 2021 and 2020, respectively. For FY 2021, the Federal operating lease expense incurred was $208.1 million and the non-Federal operating lease expense incurred was $93.5 million. 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. 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 2043. Any estimates of lease termination dates would be subjective, and any projection of future lease payments would be arbitrary.

NOTE 15. LEASES *(CONT.)*

As of September 30, 2021, DOT's future payments due on assets under operating lease were:

DOLLARS IN THOUSANDS	Land, Buildings, Machinery & Other	
	Federal	Non-Federal
FUTURE PAYMENTS DUE		
FY 2022	$ 210,091	$ 83,816
FY 2023	204,566	64,575
FY 2024	196,280	36,562
FY 2025	187,237	29,243
FY 2026	187,730	25,694
FY 2027+	840,490	84,551
Total Future Lease Payments	**$ 1,826,394**	**$ 324,441**

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

NOTE 16. COMMITMENTS & CONTINGENCIES

Legal Liabilities

As of September 30, 2021 and 2020, DOT legal contingencies include asserted and pending legal claims. An accrued liability is recognized for legal claims where the loss is probable and the amount can be reasonably estimated. For pending legal claims where the loss is reasonably possible, a liability is not recognized, however, the estimated range of loss is disclosed in the following table. There are other claims that could result in significant pay-outs; however, it is not possible at this time to determine the probability of an unfavorable outcome, or to estimate the amount of potential loss in the event of such an outcome. DOT does not have material amounts of known unasserted claims.

2021	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
LEGAL CONTINGENCIES			
Probable	$ 56,629	$ 56,528	$ 57,503
Reasonably Possible		112,261	476,452

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

NOTE 16. COMMITMENTS & CONTINGENCIES *(CONT.)*

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 Code of Federal Regulations (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, 2021 and 2020, FHWA has $68.8 billion and $68.7 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, 2021 and 2020.

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, 2021 and September 30, 2020, FTA had funding commitments in FFGAs totaling $7.17 billion and $8.0 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, 2021.

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, 2021 and 2020, FAA has letters of intent totaling $0.2 billion and $0.3 billion, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2021 and 2020.

Environmental Liabilities

As of September 30, 2021 and 2020, 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 & CONTINGENCIES *(CONT.)*

2021	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	$ 864,883	$ 864,883	$ 864,883
Reasonably Possible		108,607	108,607

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

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-Loan Receivable, Net and Loan Guarantee Liabilities, Non-Federal Borrowers, and Note 15-Leases.

Other Contingencies

The FAA's logistics center issues parts to customers with a 90-day warranty, that are replaced free of charge if warranty conditions are met. An accrued liability is recognized for warranty contingencies where the loss is probable and the amount can be reasonably estimated. The loss contingency is estimated based on historical averages of parts that failed and the warranty claims are approved. FAA warranty contingies where the loss is probable and the amount can be reasonably estimated is $.05 billion. A loss contingency is not estimated for warranty claims that are reasonably possible of loss.

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, NHTSA, and OST. The HTF's programs and activities are primarily financed from excise taxes collected on specific motor fuels, truck taxes, and fines and penalties.

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.

Airport & 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.

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

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

- 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
- Advances from State Cooperating Agencies, Foreign Governments, and Other Federal Agencies

For the periods ended September 30, 2021 and 2020, 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 *(CONT.)*

Fiscal Year 2021

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, 2021*
Assets					
Intragovernmental					
Fund Balance with Treasury	$ 9,099,141	$ (1,868,836)	$ 24,099	$ 4,708,322	$ 11,962,726
Investments, Net	12,043,353	15,948,941	-	2,272,623	30,264,917
Accounts Receivable, Net	66,668,373	-	63	8,027,987	74,696,423
Advances and Prepayments	140,033	-	-	211,745	351,778
Total Intragovernmental	87,950,900	14,080,105	24,162	15,220,677	117,275,844
With the Public					
Accounts Receivable, Net	24,150	-	-	25,443	49,593
Property, Plant & Equipment	235,843	-	-	3,073,878	3,309,721
Advances, Prepayments, and Other Assets	1,063	-	-	677	1,740
Total with the Public	261,056	-	-	3,099,998	3,361,054
Total Assets	**$ 88,211,956**	**$ 14,080,105**	**$ 24,162**	**$ 18,320,675**	**$ 120,636,898**
Liabilities and Net Position					
Intragovernmental					
Accounts Payable	$ 66,842,479	$ 6,965,558	$ -	$ 1,047,849	$ 74,855,886
Advances from Others and Deferred Revenue	273,158	-	-	26,426	299,584
Other Liabilities	14,841	-	-	292,637	307,478
Total Intragovernmental	67,130,478	6,965,558	-	1,366,912	75,462,948
With the Public					
Accounts Payable	35,199	-	-	417,793	452,992
Federal Employee Benefits Payable	68,789	-	-	1,331,845	1,400,634
Accrued Grant Liabilities	6,653,133	-	2,158	2,975,925	9,631,216
Advances from Others and Deferred Revenue	104,204	-	-	151,595	255,799
Other Liabilities	49,862	-	1,444	352,264	403,570
Total with the Public	6,911,187	-	3,602	5,229,422	12,144,211
Total Liabilities	**$ 74,041,665**	**$ 6,965,558**	**$ 3,602**	**$ 6,596,334**	**$ 87,607,159**
Unexpended Appropriations	-	-	550	718,832	719,382
Cumulative Results of Operations	14,170,291	7,114,547	20,010	11,005,509	32,310,357
Total Liabilities and Net Position	**$ 88,211,956**	**$ 14,080,105**	**$ 24,162**	**$ 18,320,675**	**$ 120,636,898**
STATEMENT OF NET COST					*For the year ended September 30, 2021*
Program Costs	$ 52,201,397	$ -	$ 9,623	$ 19,306,850	$ 71,517,870
Less Earned Revenue	285,667	1	75	473,956	759,699
Net Program Costs	**51,915,730**	**(1)**	**9,548**	**18,832,894**	**70,758,171**
Costs Not Attributed to Programs	-	-	-	-	-
Net Cost of Operations	**$ 51,915,730**	**$ (1)**	**$ 9,548**	**$ 18,832,894**	**$ 70,758,171**

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2021

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections
STATEMENT OF CHANGES IN NET POSITION					*For the year ended September 30, 2021*
Beginning Net Position	$ 9,599,210	$ 1,842,196	$ 31,715	$ 13,383,731	$ 24,856,852
Appropriations Received	-	-	-	483,500	483,500
Appropriations Transferred In/Out	-	-	-	-	-
Other Adjustments	-	-	-	(50,235)	(50,235)
Nonexchange Revenue	43,536,766	8,463,962	-	2,842	52,003,570
Donations and Forfeitures of Cash/Cash Equivalents	-	-	-	1,272	1,272
Transfers In/Out Without Reimbursement	13,979,568	(3,191,612)	(1,607)	16,349,823	27,136,172
Imputed Financing	35,096	-	-	386,302	421,398
Other	(1,064,619)	-	-	-	(1,064,619)
Net Cost of Operations	51,915,730	(1)	9,548	18,832,894	70,758,171
Change in Net Position	4,571,081	5,272,351	(11,155)	(1,659,390)	8,172,887
Net Position End of Period	**$ 14,170,291**	**$ 7,114,547**	**$ 20,560**	**$ 11,724,341**	**$ 33,029,739**

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

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*
Assets					
Intragovernmental					
Fund Balance With Treasury	$ 5,666,495	$ (124,690)	$ 34,274	$ 9,823,058	$ 15,399,137
Investments, Net	12,080,824	7,934,830	-	2,375,215	22,390,869
Accounts Receivable, Net	62,325,155	-	(17)	6,791,290	69,116,428
Advances and Prepayments	124,940	-	-	220,851	345,791
Total Intragovernmental	80,197,414	7,810,140	34,257	19,210,414	107,252,225
With the Public					
Accounts Receivable, Net	13,597	-	-	27,830	41,427
Property, Plant & Equipment	221,424	-	-	2,786,072	3,007,496
Advances, Prepayments, and Other Assets	1,051	-	-	941	1,992
Total with the Public	236,072	-	-	2,814,843	3,050,915
Total Assets	**$ 80,433,486**	**$ 7,810,140**	**$ 34,257**	**$ 22,025,257**	**$ 110,303,140**
Liabilities and Net Position					
Intragovernmental					
Accounts Payable	$ 62,673,174	$ 5,967,944	$ -	$ 823,370	$ 69,464,488
Advances from Others and Deferred Revenue	127,768	-	-	24,253	152,021
Other Liabilities	13,995	-	-	287,385	301,380
Total Intragovernmental	62,814,937	5,967,944	-	1,135,008	69,917,889
With the Public					
Accounts Payable	31,170	-	-	388,136	419,306
Federal Employee Benefits Payable	30,965	-	-	1,347,331	1,378,296
Accrued Grant Liabilities	7,787,986	-	1,098	5,161,060	12,950,144
Advances from Others and Deferred Revenue	85,289	-	-	289,410	374,699
Other Liabilities	83,929	-	1,444	320,581	405,954
Total with the Public	8,019,339	-	2,542	7,506,518	15,528,399
Total Liabilities	**$ 70,834,276**	**$ 5,967,944**	**$ 2,542**	**$ 8,641,526**	**$ 85,446,288**
Unexpended Appropriations	-	-	550	489,059	489,609
Cumulative Results of Operations	9,599,210	1,842,196	31,165	12,894,672	24,367,243
Total Liabilities and Net Position	**$ 80,433,486**	**$ 7,810,140**	**$ 34,257**	**$ 22,025,257**	**$ 110,303,140**
STATEMENT OF NET COST					*For the year ended September 30, 2020*
Program Costs	$ 57,877,670	$ -	$ 15,264	$ 24,448,310	$ 82,341,244
Less Earned Revenue	269,856	14	-	563,920	833,790
Net Program Costs	**57,607,814**	**(14)**	**15,264**	**23,884,390**	**81,507,454**
Costs Not Attributed to Programs	-	-	-	-	-
Net Cost of Operations	**$ 57,607,814**	**$ (14)**	**$ 15,264**	**$ 23,884,390**	**$ 81,507,454**

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

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
STATEMENT OF CHANGES IN NET POSITION					*For the year ended September 30, 2020*
Beginning Net Position	$ 25,445,054	$ 9,391,754	$ 46,979	$ 10,752,896	$ 45,636,683
Appropriations Received	-	-	-	167,000	167,000
Appropriations Transferred In/Out	-	-	-	(15,536)	(15,536)
Other Adjustments	-	-	-	(57,667)	(57,667)
Nonexchange Revenue	43,019,984	9,345,586	-	2,526	52,368,096
Donations and Forfeitures of Cash/Cash Equivalents	-	-	-	1,167	1,167
Transfers In/Out Without Reimbursement	65,813	(16,895,158)	-	26,081,608	9,252,263
Imputed Financing	32,546	-	-	336,127	368,673
Other	(1,356,373)	-	-	-	(1,356,373)
Net Cost of Operations	57,607,814	(14)	15,264	23,884,390	81,507,454
Change in Net Position	(15,845,844)	(7,549,558)	(15,264)	2,630,835	(20,779,831)
Net Position End of Period	**$ 9,599,210**	**$ 1,842,196**	**$ 31,715**	**$ 13,383,731**	**$ 24,856,852**

NOTE 18. EXCISE TAXES & OTHER NONEXCHANGE REVENUE

The IRS collects various excise taxes that are deposited into the HTF and AATF. The U.S. Treasury Office, 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 2021, the DOT financial statements include actual excise tax revenue certified through June 30, 2021, and excise tax revenue allocated by OTA for the quarter ended September 30, 2021. As a result, total taxes recognized in the DOT FY 2021 financial statements include the OTA allocation of $13.9 billion for the quarter ended September 30, 2021 and the actual amounts certified through June 30, 2021 of $37 billion, which includes the certifications and associated adjustments for the quarters ended June 30, 2020 and September 30, 2020 that were recorded in FY2021 due to the delays in the processing of excise taxes due to the COVID-19 pandemic.

For the years ended September 30, 2021 and 2020, 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, 2021 and 2020

DOLLARS IN THOUSANDS	2021	2020
HIGHWAY TRUST FUND		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	$ 25,974,654	$ 25,727,029
Diesel and Special Motor Fuels	12,362,870	11,058,175
Trucks	5,766,604	6,921,259
Investment Income	9,739	193,147
Fines and Penalties	343	483
Total Taxes	**44,114,210**	**43,900,093**
Less: Transfers	(746,050)	(1,049,951)
Other Nonexchange Revenue	100,447	130,159
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	**43,468,607**	**42,980,301**
FEDERAL AVIATION ADMINISTRATION		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	$ 5,320,040	$ 6,497,251
International Departure	1,904,241	1,847,102
Fuel (Air)	494,576	389,859
Waybill	478,058	300,478
Investment Income	280,320	329,846
Tax Refunds and Credits	(13,273)	(18,951)
Other	2,842	2,526
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	**8,466,804**	**9,348,111**
Other Miscellaneous Net Nonexchange Revenue	69,383	40,966
Total Nonexchange Revenue	**$ 52,004,794**	**$ 52,369,378**

NOTE 19. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

DOLLARS IN THOUSANDS	2021	2020
Available Contract Authority at Year-End	$ 16,660,324	$ 16,108,544

DOLLARS IN THOUSANDS	2021		2020	
	Federal	Non-Federal	Federal	Non-Federal
Undelivered Orders at Year-End, unpaid	$ 1,043,080	$ 141,082,794	$ 1,019,698	$ 125,262,414
Undelivered Orders at Year-End, paid	$ 473,833	$ 2,981,876	$ 437,830	$ 1,354,964

Borrowing Authority, End Of Period And Terms Of Borrowing Authority Used

DOT had $10.6 billion and $4.5 billion in borrowing authority in FY 2021 and FY 2020, 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.

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

DOLLARS IN THOUSANDS	2021	2020
Unobligated Balance brought forward, October 1	$ 60,743,442	$ 60,694,802
Adjustments to Unobligated Balance brought forward, October 1	(3,100)	1,261
Recoveries of Prior Year Obligations	8,815,505	1,822,004
Other Adjustments to Unobligated Balance brought forward, October 1	(7,712,989)	(839,229)
Unobligated Balance from prior year budget authority, net	**$ 61,842,858**	**$ 61,678,838**

Distributed Offsetting Receipts

Distributed offsetting receipts are amounts that an agency collects from the public or from other U.S. Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).

Statement Of Budgetary Resources Vs. Budget Of The United States Government

The reconciliation for the year ended September 30, 2020, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2021, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2023, which presents the execution of the FY 2021 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 2022.

DOLLARS IN MILLIONS	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 213,358	$ 152,615	$ (11,802)	$ 112,109
Funds Not Reported in the Budget				
Expired Funds	(290)	(3)	-	-
Non-Budgetary Credit Reform Financing Accounts - Disbursements, Net	-	-	-	(3,726)
Other	(10)	(4)	3	(4)
Budget of the United States Government	**$ 213,058**	**$ 152,608**	**$ (11,799)**	**$ 108,379**

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, 2021 and 2020:

DOLLARS IN THOUSANDS	2021	2020
SOURCES OF CASH COLLECTIONS		
Miscellaneous Receipts	$ 31,577	$ 34,023
User Fees	1,683	127
Fines, Penalties and Forfeitures	156,499	137,453
Total Cash Collections	**189,759**	**171,603**
Accrual Adjustment	(2,864)	13,976
Total Custodial Revenue	**186,895**	**185,579**
DISPOSITION OF COLLECTIONS		
Transferred to Treasury's General Fund	85,382	64,622
Transferred to Highway Trust Fund	104,377	106,981
Increase (Decrease) in Amounts to be Transferred	(2,864)	13,976
Net Custodial Activity	**$ —**	**$ —**

NOTE 21. RECONCILIATION OF NET OPERATING COST & 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.

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.

In FY2021 OMB Circular A-136 guidance modified the presentation of the reconciliation of net cost to net outlays but did not require the prior year presentation to be modified as well. The FY 2020 reconciliation presented below was not modified to conform to the FY2021 presentation.

NOTE 21. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS *(CONT.)*

For the year ended September 30, 2021

DOLLARS IN THOUSANDS	Intragovernmental	With the Public	Total
NET OPERATING COST (SNC)	**$ 3,088,568**	**$ 99,762,135**	**$ 102,850,703**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	—	(1,356,204)	(1,356,204)
Property, Plant, and Equipment Disposal & Reevaluation	—	(158,013)	(158,013)
Cost of Goods Sold	159	(67,164)	(67,005)
Inventory Disposals Revaluations	—	13,216	13,216
Year-end Credit Reform Subsidy Re-estimates	1,241,462	—	1,241,462
Increase/(Decrease) in Assets			
Accounts Receivable, Net	792,843	9,149	801,992
Securities and Investments	(4,459)	—	(4,459)
Advances, Prepayments and Other Assets	(4,500)	1,627,039	1,622,539
(Increase)/Decrease in Liabilities not Affecting Budget Outlays:			
Accounts Payable	313,309	20,946	334,255
Environmental and Disposal Liabilities	—	11,730	11,730
Federal Employee and Veteran Benefits Payable	—	15,329	15,329
Advances From Others and Deferred Revenue	(158,764)	115,818	(42,946)
Accrued Grant Liabilities	—	(299,053)	(299,053)
Other Liabilities	(789,598)	(38,844)	(828,442)
Financing Sources			
Imputed Costs	(484,667)	—	(484,667)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**905,785**	**(106,051)**	**799,734**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	52,309	1,690,357	1,742,666
Acquisition of Inventory	24,307	10,038	34,345
Effect of Prior Year Credit Reform Subsidy Re-estimates	(425,775)	—	(425,775)
Financing Sources			
Donated Revenue	—	(1,272)	(1,272)
Transfers out (in) without reimbursements	(1,242,848)	—	(1,242,848)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**(1,592,007)**	**1,699,123**	**107,116**
Miscellaneous Items			
FCRA Net Cost Impact	(473,639)	476,908	3,269
Custodial/Non-exchange Revenue	(891)	(128,846)	(129,737)
Custodial/Exchange Revenue	34,262	(7,581)	26,681
Non-Entity Activity	1,242,466	—	1,242,466
Appropriated Receipts for Trust/Special Funds	379,610	—	379,610
Total Other Reconciling Items	**1,181,808**	**340,481**	**1,522,289**
Total Net Outlays	**$ 3,584,154**	**$ 101,695,688**	**$ 105,279,842**
Outlays, Net			135,926,326
Distributed Offsetting Receipts			(30,646,484)
Budgetary Agency Outlays, Net			**$ 105,279,842**

NOTE 21. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS *(CONT.)*

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 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, 2021 and 2020

DOLLARS IN THOUSANDS	2021	2020
Fiduciary Net Assets, Beginning of Year	$ 6,819	$ 27,009
Contributions	3	341
Investment Earnings	(1)	—
Disbursements to and on Behalf of Beneficiaries	(4,803)	(20,531)
Increases/(Decreases) in Fiduciary Net Assets	(4,801)	(20,190)
Fiduciary Net Assets, End of Year	**$ 2,018**	**$ 6,819**

FIDUCIARY NET ASSETS

As of September 30, 2021 and 2020

DOLLARS IN THOUSANDS	2021	2020
Fiduciary Fund Balance with Treasury	$ 1,061	$ 1,061
Investments in Treasury Securities	957	5,758
Total Fiduciary Net Assets	**$ 2,018**	**$ 6,819**

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 DOT) 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."[1] 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, 2021, net costs related to Amtrak grants were $3.2 billion, total budgetary outlays were $4.7 billion, and the remaining undelivered order balance for Amtrak is $2.9 billion. 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.

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.

[1] Amtrak Office of Inspector General, Governance: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2016 21 (2017)

NOTE 23. DISCLOSURE ENTITIES *(CONT.)*

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, 2021, and September 30, 2020, 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.

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 are 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 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. 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 (Public Law 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 Grants to Amtrak to support the railroad's activities to maintain service for its passengers and support business operations. OST received $56 million in the Essential 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 Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) was signed into law on December 27, 2020, providing $27 billion in supplemental general fund appropriations to several DOT programs to further the COVID-19 relief efforts. In addition, on March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law providing $43 billion in supplemental appropriations to several DOT programs also in response to COVID-19. FTA received $14 billion in CRRSAA funding and $30.5 billion in ARPA funding in the Transit Infrastructure Grants program to support the nation's public transportation systems as they continue to respond to the COVID-19 pandemic and support the COVID-19 vaccination efforts. FAA received $2 billion in CRRSAA funding in Grants-In-Aid for Airports and $8 billion in ARPA supplemental funding for Airport Relief Grants. FHWA received $10 billion in CRRSA supplemental funding in the Highway Infrastructure Programs. FRA received $1 billion and $1.7 billion in CRRSAA and ARPA supplemental funding, respectively, in Grants to Amtrak. OST received $3 billion in ARPA funding in the Aviation Manufacturing Jobs Protection program to provide funding to eligible businesses, to pay compensation costs for certain categories of employees resulting from a reduction in force or furlough due to the COVID-19 public health emergency.

NOTE 24. COVID-19 ACTIVITY *(CONT.)*

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.

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, 2021 and 2020. 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 *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2021 Total Programs and Activities
BALANCE SHEET								*As of September 30, 2021*
Assets								
Fund Balance with Treasury	$ 44,366,307	$ 11,645,351	$ 8,075,010	$ 3,015	$ 2,817,914	$ 356	$ 4,574	$ 66,912,527
Advances and Prepayments	-	2,030	-	1,015	42	-	-	3,087
Total Intragovernmental	**44,366,307**	**11,647,381**	**8,075,010**	**4,030**	**2,817,956**	**356**	**4,574**	**66,915,614**
Accounts Receivable, Net	27	82	-	-	-	-	-	109
Advances, Prepayments, and Other Assets	-	-	-	1,276,801	158,635	-	-	1,435,436
Total with the Public	27	82	-	1,276,801	158,635	-	-	1,435,545
Total Assets	**$ 44,366,334**	**$ 11,647,463**	**$ 8,075,010**	**$ 1,280,831**	**$ 2,976,591**	**$ 356**	**$ 4,574**	**$ 68,351,159**
Liabilities and Net Position								
Intragovernmental								
Other Liabilities	$ 19	$ 8	$ -	$ -	$ -	$ -	$ -	$ 27
Total Intragovernmental	**19**	**8**	**-**	**-**	**-**	**-**	**-**	**27**
Accounts Payable	-	186	-	-	603	-	-	789
Federal Employee and Benefits Payable	210	52						262
Grant Accrual	1,077,874	6,438,992	443,950	-	-	-	-	7,960,816
Other Liabilities	12	23	-	-	-	-	-	35
Total with the Public	1,078,096	6,439,253	443,950	-	603	-	-	7,961,902
Total Liabilities	**$ 1,078,115**	**$ 6,439,261**	**$ 443,950**	**$ -**	**$ 603**	**$ -**	**$ -**	**$ 7,961,929**
Unexpended Appropriations - Funds From Dedicated Collections	-	-	-	-	1,451	-	-	1,451
Unexpended Appropriations - Funds from Other than Dedicated Collections	43,288,417	4,838,873	7,631,060	1,280,831	2,970,537	356	4,574	60,014,648
Cumulative Results of Operations - Funds From Dedicated Collections	-	368,363	-	-	-	-		368,363
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(198)	966	-	-	4,000	-	-	4,768
Total Net Position	**43,288,219**	**5,208,202**	**7,631,060**	**1,280,831**	**2,975,988**	**356**	**4,574**	**60,389,230**
Total Liabilities and Net Position	**$ 44,366,334**	**$ 11,647,463**	**$ 8,075,010**	**$ 1,280,831**	**$ 2,976,591**	**$ 356**	**$ 4,574**	**$ 68,351,159**
STATEMENT OF NET COST								*For the period ended September 30, 2021*
Program Costs	$ 12,160,227	$ 7,300,507	$ 2,368,940	$ 1,521,237	$ 107,423	$ 444	$ 344	$ 23,459,122
Net Cost of Operations	**$ 12,160,227**	**$ 7,300,507**	**$ 2,368,940**	**$ 1,521,237**	**$ 107,423**	**$ 444**	**$ 344**	**$ 23,459,122**

NOTE 24. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2021 Total Programs and Activities
STATEMENT OF CHANGES IN NET POSITION								*For the period ended September 30, 2021*
Unexpended Appropriations								
Beginning Balance (Funds from Dedicated Collections)	$ -	$ -	$ -	$ -	$ 56,000	$ -	$ -	$ 56,000
Beginning Balance (Funds from Other than Dedicated Collections)	10,986,944	-	-	102,068	79	800	4,918	11,094,809
Appropriations Received (Funds from Dedicated Collections)	-	-	-	-	-	-	-	-
Appropriations Received (Funds from Other than Dedicated Collections)	44,461,355	10,009,000	10,000,000	2,700,000	3,023,332	-	-	70,193,687
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	(54,549)	-	-	(54,549)
Appropriations Used (Funds from Other than Dedicated Collections)	(12,159,882)	(5,170,127)	(2,368,940)	(1,521,237)	(52,874)	(444)	(344)	(21,273,848)
Total Unexpended Appropriations (Funds from Dedicated Collections)	**-**	**-**	**-**	**-**	**1,451**	**-**	**-**	**1,451**
Total Unexpended Appropriations (Funds from Other than Dedicated Collections)	**43,288,417**	**4,838,873**	**7,631,060**	**1,280,831**	**2,970,537**	**356**	**4,574**	**60,014,648**
Total Unexpended Appropriations - Ending	**$ 43,288,417**	**$ 4,838,873**	**$ 7,631,060**	**$ 1,280,831**	**$ 2,971,988**	**$ 356**	**$ 4,574**	**$ 60,016,099**
Cumulative Results of Operations								
Beginning Balance (Funds from Dedicated Collections)	-	2,503,690	-	-	-	-	-	2,503,690
Beginning Balance (Funds from Other than Dedicated Collections)	(19)	-	-	-	-	-	-	(19)
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	54,549	-	-	54,549
Appropriations Used (Funds from Other than Dedicated Collections)	12,159,882	5,170,127	2,368,940	1,521,237	52,874	444	344	21,273,848
Transfers-in/(out) Without Reimbursement (Funds from Dedicated Collections)	-	(1)	-	-	-	-	-	(1)
Transfers-in/(out) Without Reimbursement (Funds from Other than Dedicated Collections)	-	(4,000)	-	-	4,000	-	-	-
Imputed Financing (Funds from Dedicated Collections)	-	20	-	-	-	-	-	20
Imputed Financing (Funds from Other than Dedicated Collections)	166	-	-	-	-	-	-	166
Total (Funds From Dedicated Collections)	-	2,503,709	-	-	54,549	-	-	2,558,258
Total (Funds from Other than Dedicated Collections)	12,160,029	5,166,127	2,368,940	1,521,237	56,874	444	344	21,273,995
Net Cost of Operations (Funds from Dedicated Collections)	-	2,135,346	-	-	54,549	-	-	2,189,895
Net Cost of Operations (Funds from Other than Dedicated Collections)	12,160,227	5,165,161	2,368,940	1,521,237	52,874	444	344	21,269,227
Cumulative Results of Operations (Funds from Dedicated Collections)	**-**	**368,363**	**-**	**-**	**-**	**-**	**-**	**368,363**

NOTE 24. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2021 Total Programs and Activities
Cumulative Results of Operations (Funds from Other than Dedicated Collections)	**(198)**	**966**	**-**	**-**	**4,000**	**-**	**-**	**4,768**
Total Cumulative Results of Operations - Ending	**$ (198)**	**$ 369,329**	**$ -**	**$ -**	**$ 4,000**	**$ -**	**$ -**	**$ 373,131**
Total Net Position End of Period (Funds from Dedicated Collections)	**-**	**368,363**	**-**	**-**	**1,451**	**-**	**-**	**369,814**
Total Net Position End of Period (Funds from Other than Dedicated Collections)	**43,288,219**	**4,839,839**	**7,631,060**	**1,280,831**	**2,974,537**	**356**	**4,574**	**60,019,416**
Total Net Position	**$ 43,288,219**	**$ 5,208,202**	**$ 7,631,060**	**$ 1,280,831**	**$ 2,975,988**	**$ 356**	**$ 4,574**	**$ 60,389,230**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the period ended September 30, 2021

	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2021 Total Programs and Activities
Budgetary resources								
Unobligated Balance From Prior Year Budget Authority, Net	$ 1,811,782	$ 725,172	$ -	$ 30	$ 56,000	$ 324	$ 4,918	$ 2,598,226
Appropriations	44,461,356	12,009,000	10,000,000	2,700,000	3,023,332	-	-	72,193,688
Spending Authority From Offsetting Collections	-	-	-	-	4,000	-	-	4,000
Total Budgetary Resources	**$ 46,273,138**	**$ 12,734,172**	**$ 10,000,000**	**$ 2,700,030**	**$ 3,083,332**	**$ 324**	**$ 4,918**	**$ 74,795,914**
Status of Budgetary Resources								
New Obligations and Upward Adjustments	$ 16,337,089	$ 8,853,630	$ 4,274,192	$ 2,698,030	$ 496,700	$ 34	$ 344	$ 32,660,019
Unobligated Balance, End of Year								
Apportioned Unexpired Accounts	29,932,005	3,880,542	5,725,808	2,000	2,586,632	290	4,574	42,131,851
Unapportioned Unexpired Accounts	4,044	-	-	-	-	-	-	4,044
Unobligated Balance, End of Year	29,936,049	3,880,542	5,725,808	2,000	2,586,632	290	4,574	42,135,895
Total Budgetary Resources	**$ 46,273,138**	**$ 12,734,172**	**$ 10,000,000**	**$ 2,700,030**	**$ 3,083,332**	**$ 324**	**$ 4,918**	**$ 74,795,914**
Outlays, Net								
Outlays, Net (total)	$ 13,129,381	$ 7,232,602	$ 1,924,990	$ 2,697,015	$ 261,418	$ 444	$ 344	$ 25,246,194
Distributed Offsetting Receipts	-	(2,000,000)	-	-	-	-	-	(2,000,000)
Agency Outlays, Net	**$ 13,129,381**	**$ 5,232,602**	**$ 1,924,990**	**$ 2,697,015**	**$ 261,418**	**$ 444**	**$ 344**	**$ 23,246,194**

NOTE 24. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
BALANCE SHEET								*As of September 30, 2020*
Assets								
Intragovernmental								
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**
Accounts Receivable, Net	-	-	-	-	-	-	-	-
Advances, Prepayments, and Other Assets	-	-	-	102,038	-	-	-	102,038
Total with the Public	-	-	-	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
Federal Employee and Benefits Payable	19	47	-	-	-	-	-	66
Grant Accrual	2,047,354	4,369,120	-	-	-	-	-	6,416,474
Other Liabilities	27	20	-	-	-	-	-	47
Total with the Public	2,047,400	4,369,328	-	-	-	-	-	6,416,728
Total Liabilities	**$ 2,047,408**	**$ 4,369,337**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,416,745**
Unexpended Appropriations - Funds From Dedicated Collections	-	-	-	-	56,000	-	-	56,000
Unexpended Appropriations - Funds from Other than Dedicated Collections	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 - Funds from Other than Dedicated Collections	(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**

NOTE 24. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
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 (Funds from Other than Dedicated Collections)	25,000,000	10,000,000	-	1,018,250	1,753	4,134	5,000	36,029,137
Appropriations Used (Funds from Other than Dedicated Collections)	(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 (Funds from Other than Dedicated Collections)	**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 (Funds from Other than Dedicated Collections)	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)	-	9,999,674	-	-	-	-	-	9,999,674
Transfers-in/(out) Without Reimbursement (Funds from Other than Dedicated Collections)	-	(10,000,000)	-	-	-	-	-	(10,000,000)
Imputed Financing (Funds from Dedicated Collections)	-	10	-	-	-	-	-	10
Imputed Financing (Funds from Other than Dedicated Collections)	17	-	-	-	-	-	-	17
Total (Funds From Dedicated Collections)	**-**	**10,024,684**	**-**	**-**	**-**	**-**	**-**	**10,024,684**
Total (Funds from Other than Dedicated Collections)	**14,013,073**	**-**	**-**	**916,182**	**1,674**	**3,334**	**82**	**14,934,345**
Net Cost of Operations (Funds from Dedicated Collections)	-	7,520,994	-	-	-	-	-	7,520,994
Net Cost of Operations (Funds from Other than Dedicated Collections)	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**

NOTE 24. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
Cumulative Results of Operations (Funds from Other than Dedicated Collections)	**(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 (Funds from Other than Dedicated Collections)	**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**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the period ended September 30, 2020

	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2020 Total Programs and Activities
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, & 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 2020 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2021 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 2021 U.S. DOT BALANCE SHEET		LINE ITEMS USED TO PREPARE FY 2021 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	$ 114,363,099	$ 11,962,727	$ -	$ 102,400,372	$ -	$ 114,363,099	Fund Balance with Treasury
Investments, Net		30,207,470	-	-	-	30,207,470	Federal Investments
	30,264,917	57,447	-	-	-	57,447	Interest Receivable – Investments
Total Investments, Net	30,264,917	30,264,917	-	-	-	30,264,917	*Total Reclassified Investments, Net*
Accounts Receivable	88,926	29,056	(1,737)	260,072	(211,465)	75,926	Accounts Receivable
		74,652,838	(74,639,838)	-	-	13,000	Transfers Receivable
		14,528	-	-	(14,528)	-	Asset for Agency Custodial and Non-Entity Liabilities – Other than the General Fund
Total Accounts Receivable	88,926	74,696,422	(74,641,575)	260,072	(225,993)	88,926	*Total Reclassified Accounts Receivable*
Advances and Prepayments	18,929	351,776	(29,577)	17,820	(321,090)	18,929	Advances to Others and Prepayments
Total Intragovernmental Assets	**144,735,871**	**117,275,842**	**(74,671,152)**	**102,678,264**	**(547,083)**	**144,735,871**	**Total Intragovernmental Assets**
With the Public							**With the Public**
Accounts Receivable, Net	104,738	49,594	-	55,144	-	104,738	Accounts Receivable, Net
Loans Receivable, Net	15,245,491	-	-	15,245,491	-	15,245,491	Loans Receivable, Net

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

FY 2021 U.S. DOT BALANCE SHEET		LINE ITEMS USED TO PREPARE FY 2021 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**
Inventory and Related Property, Net	1,037,990	-	-	1,037,990	-	1,037,990	Inventory and Related Property, Net
General Property & Equipment, Net	12,711,237	3,309,721	-	9,401,516	-	12,711,237	General Property Plant & Equipment, Net
Advances and Prepayments	2,981,814	1,743	-	2,980,071	-	2,981,814	Advances to Others and Prepayments
Total Assets With the Public	**32,081,270**	**3,361,058**	**-**	**28,720,212**	**-**	**32,081,270**	**Total Assets With the Public**
Total Assets	**176,817,141**	**120,636,900**	**(74,671,152)**	**131,398,476**	**(547,083)**	**176,817,141**	**Total Assets**
LIABILITIES							**LIABILITIES**
Intragovernmental							**Intragovernmental**
Accounts Payable	12,887	216,047	(169)	4,842	(207,833)	12,887	Accounts Payable
		74,639,838	(74,639,838)	-	-	-	Transfers Payable
		74,855,885	(74,640,007)	4,842	(207,833)	12,887	*Total Reclassified Accounts Payable*
Debt	15,065,013	-	-	15,065,013	-	15,065,013	Loans Payable
		-	-	15,065,013		15,065,013	*Total Reclassified Debt Associated with Loans*
Advances from Others and Deferred Revenue	674,370	299,584	(30,969)	729,938	(324,183)	674,370	Advances from Others and Deferred Revenue
Other	1,560,552	251,223	-	13,016	-	264,239	Benefit Program Contributions Payable
		-	-	14,528	(14,528)	-	Liability to Agency Other Than the General Fund of the U.S. Government for Custodial and Non-Entity Assets
		(2)	-	1,232,670	-	1,232,668	Liability to the General Fund for Custodial and Other Non-Entity Assets
		56,254	-	7,391	-	63,645	Other liabilities
Total Other – Intragovernmental Liabilities	1,560,552	307,475	-	1,267,605	(14,528)	1,560,552	*Total Reclassified Other – Miscellaneous Liabilities*
Total Intragovernmental Liabilities	**17,312,822**	**75,462,944**	**(74,670,976)**	**17,067,398**	**(546,544)**	**17,312,822**	**Total Intragovernmental Liabilities**

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

FY 2021 U.S. DOT BALANCE SHEET		LINE ITEMS USED TO PREPARE FY 2021 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**
With the Public							**With the Public**
Accounts Payable	565,931	452,992	-	112,939	-	565,931	Accounts Payable
Loan Guarantee Liabilities	145,644	-	-	145,644	-	145,644	Loan Guarantee Liabilities
Federal Employee Benefits Payable	1,495,873	1,400,635	-	95,238	-	1,495,873	Federal Employee and Veteran Benefits Payable
Environmental and Disposal Liabilities	864,883	-	-	864,883	-	864,883	Environmental and Disposal Liabilities
Advances from Others and Deferred Revenue	279,028	255,799	-	23,229	-	279,028	Advances from Others and Deferred Revenue
Other Liabilities							
Accrued Grant Liabilities	16,091,015	9,631,218	-	6,459,797	-	16,091,015	Other liabilities
Other	546,751	403,570	-	143,181	-	546,751	Other liabilities
Total Other Liabilities	16,637,766	10,034,788		6,602,978		16,637,766	*Total Reclassified Miscellaneous Liabilities*
Total Liabilities with the Public	**19,989,125**	**12,144,214**	**-**	**7,844,911**	**-**	**19,989,125**	**Total Liabilities with the Public**
Total Liabilities	**$ 37,301,947**	**$ 87,607,158**	**$ (74,670,976)**	**$ 24,912,309**	**$ (546,544)**	**$ 37,301,947**	**Total Liabilities**
NET POSITION							
Unexpended Appropriations – Funds from Dedicated Collections (Combined)	$ 719,382	$ 719,382	$ -	$ -	$ -	$ 719,382	Net Position – Funds from Dedicated Collections
Unexpended Appropriations – All Other Funds (Combined)	95,377,129	-	-	95,377,129	-	95,377,129	Net Position – Funds Other than those from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections (Combined)	32,310,357	32,310,357	-	-	-	32,310,357	Net Position – Funds from Dedicated Collections
Cumulative Results of Operations – All Other Funds (Combined)	11,108,326	-	-	11,108,326	-	11,108,326	Net Position – Funds Other than those from Dedicated Collections
Total Net Position	**139,515,194**	**33,029,739**	**-**	**106,485,455**	**-**	**139,515,194**	**Total Net Position**
Total Liabilities & Net Position	**$ 176,817,141**	**$ 120,636,897**	**$ (74,670,976)**	**$ 131,397,764**	**$ (546,544)**	**$ 176,817,141**	**Total Liabilities & Net Position**

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

FY 2021 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2021 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
							Non-Federal Costs
Gross Costs	$ 104,922,406	$ 67,683,060	$ -	$ 33,054,246	$ -	$ 100,737,306	Non-Federal Gross Cost
		67,683,060	-	33,054,246	-	100,737,306	*Total Non-Federal Costs*
							Intragovernmental Costs
		1,929,015	-	167,199	-	2,096,214	Benefit Program Costs
		421,398	-	63,269	-	484,667	Imputed Costs
		1,054,863	(14,816)	91,749	(556,923)	574,873	Buy/Sell Costs
		75,197	(735)	550	(44,897)	30,115	Purchase of Assets
		413	-	552,994	-	553,407	Borrowing and Other Interest Expense
		429,121	-	46,818	-	475,939	Other Expenses (w/o Reciprocals)
		(75,197)	735	(550)	44,897	(30,115)	Purchase of Assets Offset
		3,834,810	(14,816)	922,029	(556,923)	4,185,100	*Total Intragovernmental Costs*
Total Gross Costs	104,922,406	71,517,870	(14,816)	33,976,275	(556,923)	104,922,406	**Total Reclassified Gross Costs**
Earned Revenue	2,071,703	415,887	-	559,285	-	975,172	Non-Federal Earned Revenue
							Intragovernmental Revenue
		328,562	(16,081)	1,282,735	(593,290)	1,001,926	Buy/Sell Revenue
		15,249	-	-	-	15,249	Federal Securities Interest Revenue Including Associated Gains/ Losses (Exchange)
		1	-	79,355	-	79,356	Borrowing and Other Interest Revenue
		343,812	(16,081)	1,362,090	(593,290)	1,096,531	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	2,071,703	759,699	(16,081)	1,921,375	(593,290)	2,071,703	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 102,850,703**	**$ 70,758,171**	**$ 1,265**	**$ 32,054,900**	**$ 36,367**	**$ 102,850,703**	**Net Cost of Operations**

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

FY 2021 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2021 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	15,100	-	-	13,222	-	13,222	Non-Federal Earned Revenue
		-	-	1,878	-	1,878	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	15,100	-	-	15,100	-	15,100	*Total Reclassified Exchange Custodial Collections*
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(15,100)	-	-	(15,100)	-	(15,100)	Reclassified Disposition of Custodial Collections

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

FY 2021 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2021 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	$ 45,814,162	$ 489,609	$ -	$ 45,324,553	$ -	$ 45,814,162	Net Position, Beginning of Period
Appropriations Received	110,128,932	483,500	-	109,645,432	-	110,128,932	Appropriations Received as Adjusted
Appropriations Transferred In/Out	10,000	-	-	10,000	-	10,000	Non-Expenditure Transfers-In of Unexpended Appropriations
Total Appropriations Transferred In/Out	10,000	-	-	10,000	-	10,000	*Total Reclassified Appropriations Transferred In/Out*
Other Adjustments	(539,719)	(50,235)	-	(489,484)	-	(539,719)	Appropriations Received as Adjusted
Appropriations Used	(59,316,864)	(203,492)	-	(59,113,372)	-	(59,316,864)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	**$ 96,096,511**	**$ 719,382**	**$ -**	**$ 95,377,129**	**$ -**	**$ 96,096,511**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	35,608,737	24,367,243	-	11,241,494	-	35,608,737	Net Position, Beginning of Period
Other Adjustments	(64)	-	-	(64)	-	(64)	Revenue and Other Financing Sources - Cancellations
Appropriations Used	59,316,864	203,492	-	59,113,372	-	59,316,864	Appropriation Expended (Federal)

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

FY 2021 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2021 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-Federal Non-Exchange Revenues
Non-Exchange Revenue	52,004,794	71,345	-	1,224	-	72,569	Other Taxes and Receipts
		71,345	-	-	-	72,569	***Total Non-Federal Non-Exchange Revenues***
							Federal Non-Exchange Revenue
		290,059	-	-	-	290,059	Federal Securities Interest Revenue
		1,340	-	-	-	1,340	Borrowings and Other Interest Revenue
		104,377	-	-	-	104,377	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		(5,271)	-	-	-	(5,271)	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		51,541,720	-	-	-	51,541,720	Other Taxes and Receipts
		51,932,225	-	1,224	-	51,932,225	***Total Federal Non-Exchange Revenue***
Total Non-Exchange Revenue	52,004,794	52,003,570	-	1,224	-	52,004,794	*Total Reclassified Non-Exchange Revenues*
Donations and Forfeitures of Cash/ Cash Equivalents	1,272	1,272	-	-	-	1,272	Donations and Forfeitures of Cash/ Cash Equivalents)

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

FY 2021 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2021 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	38,209	151,082	(151,082)	-	-	-	Appropriation of Unavailable Special/ Trust Fund Receipts Transfers-In
		(151,082)	151,082	-	-	-	Appropriation of Unavailable Special/ Trust Fund Receipts Transfers-Out
		79,657,578	(79,634,578)	1,606	(1,607)	22,999	Non-Expenditure Transfers-In of Financing Sources
		(79,636,446)	79,634,578	-	1,607	(261)	Non-Expenditure Transfers-Out of Financing Sources
		38,521,922	(10,542,270)	14,099	(27,993,610)	141	Expenditure Transfers-In of Financing Sources
		(10,552,270)	10,542,270	(30,379,610)	30,389,610	-	Expenditure Transfers-Out of Financing Sources
		(63,920)	140,401	840,494	(901,417)	15,558	Transfers-In w/o Reimbursement
		(790,692)	(68,442)	(98,248)	957,154	(228)	Transfers-Out w/o Reimbursement
		27,136,172	71,959	(29,621,659)	2,451,737	38,209	*Total Reclassified Transfers-In/Out w/o Reimbursement*
Donations and Forfeitures of Property	25,703	-	-	25,703	-	25,703	Donations and Forfeitures of Pro
Imputed Financing	484,667	421,398	-	63,269	-	484,667	Imputed Financing Sources (Federal)
Other	(1,210,796)	-	-	(460,442)	-	(460,442)	Non-Entity Collections Transferred to the General Fund
		-	-	(783,631)	-	(783,631)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(1,097,680)	-	1,097,680	-	-	Borrowings and Other Interest Revenue (Non-exchange)
		33,061	-	216	-	33,277	Other Taxes and Receipts
Total Other	(1,210,796)	(1,064,619)	-	(146,177)	-	(1,210,796)	*Total Reclassified Other*
Net Cost of Operations	**102,850,703**	**70,758,171**	**-**	**32,092,532**	**-**	**102,850,703**	**Net Cost of Operations**

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

FY 2021 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2021 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**
Ending Balance – Cumulative Results of Operations	**43,418,683**	**32,310,357**	**71,959**	**8,584,630**	**2,451,737**	**43,418,683**	**Net Position – Ending Balance**
Total Net Position	**$ 139,515,194**	**$ 33,029,739**	**$ 71,959**	**$ 103,961,759**	**$ 2,451,737**	**$ 139,515,194**	**Total Net Position**
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	171,795	-	-	171,795	-	171,795	Other Taxes and Receipts
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(171,795)	-	-	(70,268)	-	(70,268)	Non-Entity Custodial Collections Transferred to the General Fund
		-	-	(104,377)	-	(104,377)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	5,271	-	5,271	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(2,421)	-	(2,421)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Total Disposition of Non-Exchange Custodial Collections	(171,795)	-	-	(171,795)	-	(171,795)	*Total Reclassified Disposition of Non-Exchange Custodial Collections*

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2021

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	$ 364,107	$ 617,439
	Unstaffed Faculties	Long range radars; unstaffed infrastructure and fuel storage tanks	1,077,861	1,107,515
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	42,654	44,138
	Buildings	Real property structure—U.S. Merchant Marine Academy	67,913	67,913
		Total	**$ 1,552,535**	**$ 1,837,005**

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.

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED) *(CONT.)*

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 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, 2021

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year Budget Authority, Net	$ 20,799,060	$ 6,775,933	$ 19,127,870	$ 1,388,673	$ 13,029,941	$ 61,121,477
Appropriations (Note 1W)	-	41,032,106	47,268,169	1,232,709	37,059,588	126,592,572
Borrowing Authority	-	-	-	89	10,565,830	10,565,919
Contract Authority	46,099,471	3,350,000	10,999,178	-	2,319,413	62,768,062
Spending Authority From Offsetting Collections	715,390	11,222,619	199	620,908	1,619,932	14,179,048
Total Budgetary Resources	**$ 67,613,921**	**$ 62,380,658**	**$ 77,395,416**	**$ 3,242,379**	**$ 64,594,704**	**$ 275,227,078**
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	$ 45,366,038	$ 52,810,501	$ 31,677,083	$ 1,944,416	$ 44,320,810	$ 176,118,848
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,119,578	7,114,408	45,703,923	1,093,917	18,636,281	76,668,107
Unapportioned, Unexpired Accounts	18,128,305	2,329,956	12,104	192,633	1,533,341	22,196,339
Unexpired Unobligated Balance, End of Year	22,247,883	9,444,364	45,716,027	1,286,550	20,169,622	98,864,446
Expired Unobligated Balance, End of Year	-	125,793	2,306	11,413	104,272	243,784
Unobligated Balance, End of Year	22,247,883	9,570,157	45,718,333	1,297,963	20,273,894	99,108,230
Total Budgetary Resources	**$ 67,613,921**	**$ 62,380,658**	**$ 77,395,416**	**$ 3,242,379**	**$ 64,594,704**	**$ 275,227,078**
OUTLAYS, NET, AND DISBURSEMENTS, NET						
Outlays, Net	$ 43,618,855	$ 39,421,662	$ 24,369,873	$ 926,377	$ 27,589,559	$ 135,926,326
Distributed Offsetting Receipts	-	(16,418,603)	(2,533)	(22,935)	(14,202,413)	(30,646,484)
Agency Outlays, Net	**$ 43,618, 855**	**$ 23,003,059**	**$ 24,367,340**	**$ 903,442**	**$ 13,387,146**	**$ 105,279,842**
Disbursements, Net				**$ (58,443)**	**$ (2,632,579)**	**$ (2,691,022)**

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED) *(CONT.)*

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)**

Marine War Risk Insurance Program (Unaudited)

For FY 2021 and FY 2020, 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 $53 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 2021 and FY 2020, 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 periods ended September 30

DOLLARS IN THOUSANDS	2017	2018	2019	2020	2021
SURFACE TRANSPORTATION					
Federal Highway Administration					
Federal Aid Highways (HTF)	$ 41,720,349	$ 42,305,868	$ 43,223,017	$ 46,801,719	$ 45,965,708
Other Highway Trust Fund Programs	36,154	37,572	52,346	47,151	25,553
General Fund Programs	5,270	258,033	448	1,098	5,179
Appalachian Development System	202,625	202,311	168,375	34,967	118,317
Total Federal Highway Administration	**41,964,398**	**42,803,784**	**43,444,186**	**46,884,935**	**46,114,757**
Federal Transit Administration					
Discretionary Grants	(17,605)	3,482	3,482	-	-
Formula Grants	19,314	13,696	8,438	14,800	8,568
Capital Investment Grants	1,906,775	1,660,848	956,951	2,133,871	1,897,603
Washington Metro Area Transit Authority	204,463	180,696	159,824	178,095	130,243
Formula and Bus Grants	9,459,965	10,106,692	10,511,783	9,933,833	7,961,356
Total Federal Transit Administration	**11,572,912**	**11,965,414**	**11,640,478**	**12,260,599**	**9,997,770**
Total Surface Transportation Non-Federal Physical Property Investments	**53,537,310**	**54,769,198**	**55,084,664**	**59,145,534**	**56,112,527**
AIR TRANSPORTATION					
Federal Aviation Administration					
Airport Improvement Program	3,285,443	3,166,777	3,499,162	11,300,066	11,225,978
Total Air Transportation Non-Federal Physical Property Investments	**3,285,443**	**3,166,777**	**3,499,162**	**11,300,066**	**11,225,978**
Total Non-Federal Physical Property Investments	**$ 56,822,753**	**$ 57,935,975**	**$ 58,583,826**	**$ 70,445,600**	**$ 67,338,505**

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.

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: October 27, 2021

Subject: INFORMATION: DOT's Fiscal Year 2022 Top Management Challenges
Report No. PT2022007

From: Eric J. Soskin
Inspector General

To: The Secretary
Deputy Secretary

Transportation plays a fundamental role in the lives of every American, connecting us to our communities, our jobs, and each other. As such, the Department of Transportation's (DOT) mission is to create the safest, most efficient, and modern transportation system in the world, one which boosts our economic productivity and global competitiveness and enhances our quality of life.

The Office of Inspector General (OIG) supports the Department's mission by conducting audits and investigations to identify needed improvements to the management and execution of transportation programs. Each year, as required by law, we report on DOT's top management challenges to aid the Department in meeting its strategic priorities across various program areas. These priorities include keeping travelers safe, engaging with emerging technologies, and maintaining and improving America's infrastructure.

As it works to meet these priorities, DOT continues to face the extraordinary challenge of responding to the global pandemic of Coronavirus Disease 2019 (COVID-19). COVID-19 brought unprecedented impacts to the transportation industry that continue to play out across our Nation's economy, workforce, and lives. In particular, the Department has received more than $106 billion in funding for COVID-19 relief across all modes of transportation. While DOT is moving quickly to distribute these funds, the speed at which they are disbursed presents oversight challenges to ensure they are spent efficiently and effectively. Accordingly, our report integrates a discussion of COVID-19 challenges within each priority area for the Department.

For example, DOT's top priority remains ensuring transportation safety. It will be critical for the Federal Aviation Administration to strengthen its oversight of aircraft certification processes and air carrier safety programs, while also enhancing risk-based decisions as air travelers and the aviation industry continue to respond to the pandemic. In addition, the safety of our Nation's roads, rails, and pipelines depends on the Department's efforts to ensure compliance with safety regulations. Strengthening its oversight of surface transportation safety programs will also include addressing the economic effects of the pandemic on State and local transportation program funding.

Maintaining and upgrading our Nation's transportation infrastructure is another priority made further complex by the challenges of COVID-19. For example, the pandemic's impact on air traffic levels has delayed efforts to modernize our Nation's air traffic system. Further, the Department is now responsible for disbursing and overseeing billions of COVID-19 relief funds on top of its existing efforts to oversee construction and improvement of the Nation's aging highways, bridges, and tunnels. A key step will be to adjust the Department's oversight approach to account for the pandemic's impact on program risks and operations, such as in-person inspections and travel.

Overall, the large influx of COVID-19 relief funds will challenge DOT to sharpen its focus on its contract, grant award, and administrative practices to safeguard Federal tax dollars and detect fraud, waste, and abuse. This includes monitoring significantly more grants and grantees to reduce the increased risk of improper payments Departmentwide. Equally important will be protecting the integrity of DOT's financial management information systems to effectively administer and oversee COVID-19 relief funds, while partnering with other agencies and industry partners to resolve new and recurring cybersecurity challenges.

As DOT addresses these and other challenges, it will also be focused on another strategic priority—preparing America's transportation systems for a future in which America is a leader in innovation and providing opportunity to all Americans. Among the many facets the Department must tackle will be the safe integration of new transportation technologies, including advanced energy sources, Unmanned Aircraft Systems (UAS), commercial space operations, and vehicle automation. At the same time, DOT will need to apply lessons learned from the pandemic's impact on transportation supply chains and incorporate issues such as climate change into its decision-making processes.

Finally, the Department has faced COVID-19-related challenges to its overall operations and workforce management. On March 16, 2020, DOT transitioned to maximum telework. With the emergence of new COVID variants and the need to adapt to evolving public health guidance, it will be critical for DOT to realign its processes with operational and employee needs as it prepares to safely bring its workplace into the future and transition employees and contractors beyond a maximum-telework posture.

We considered several criteria to identify the Department's top management challenges for fiscal year 2022, 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
- Evolving Operations and Workforce Management

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 overseeing COVID-19 relief funds. We appreciate the Department's commitment to prompt action in response to the challenges we have identified. Our final 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

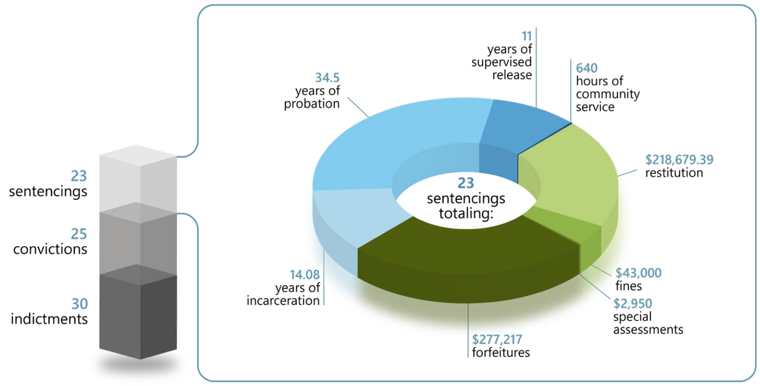
Related DOT Priorities
Safety

Maintaining the safety of our National Airspace System is FAA's primary mission. While FAA and industry have maintained an otherwise excellent safety record, two fatal accidents in 2018 and 2019 involving the Boeing 737 MAX raised concerns about the Agency's aircraft certification and delegation oversight. In addition, FAA is not fully prepared to oversee evolving air carrier safety management systems, which help ensure regulatory compliance and mitigate safety risks. Another key challenge for FAA is to ensure that pilots are qualified to safely fly aircraft, which includes preventing and detecting airmen certificate fraud (see figure).

Maintaining Confidence in the Aircraft Certification Process

- Multiple OIG reviews have highlighted significant issues related to FAA's oversight of the aircraft certification process. Federal law allows FAA to delegate certain functions to organizations like Boeing to determine compliance with regulations. For example, FAA delegated an increasing amount of work to Boeing during MAX certification, which, according to FAA managers, is typical as systems mature. These delegated tasks included certification plans containing key flight control software.
- As we recently reported, however, FAA's certification guidance does not adequately address integrating new technologies into existing aircraft models. Moreover, FAA did not have a complete understanding of Boeing's safety assessments until after the first accident. Communication gaps between FAA certification offices, and between FAA and Boeing, further hindered the effectiveness of the MAX certification process.
- FAA has limited ability to assess and mitigate risks with functions delegated to Boeing as the Agency lacks a risk-based approach to delegation oversight. FAA engineers also continue to face challenges in balancing certification and oversight responsibilities. Moreover, Boeing's processes and structure do not ensure its delegation personnel are adequately independent.
- Although FAA is working to address recommendations from multiple organizations, including OIG, continued management attention will be critical to maintaining confidence in the aircraft certification process. We are continuing to examine FAA's risk assessments related to the grounding of the MAX and Agency efforts related to its return to service.

OIG Investigative Outcomes for Cases Related to Airman Certificate Fraud



Since FY 2017, OIG conducted 72 investigations and complaints involving airman certificate fraud, including commercial and non-commercial certificate fraud, medical fraud, and unauthorized operation of an aircraft.
Source: OIG

COVID-19 Impact and Response

The COVID-19 pandemic has created many challenges for FAA and the aviation industry. These include:

- *On-Board Safety.* FAA has reported an increase in the number of unruly passengers. About 2,867 (74 percent) of these reports are of passengers refusing to comply with the Federal face mask mandate.
- *Oversight Activities.* FAA established guidance and temporary exemptions to address challenges for air carriers and repair stations. For example, the Agency allowed carriers to implement alternative training methods and provided inspector guidance on extending certificates of some repair stations outside of the United States that were subject to travel limitations. As demand for air travel rebounds following the pandemic, FAA will need to remain vigilant in its oversight efforts to enhance risk-based decisions during pandemics and ensure certificate holders fulfill regulatory requirements.

Advancing FAA's Air Carrier Oversight To Keep Pace With Safety Management System Requirements

- FAA requires that air carriers use a Safety Management System (SMS) to identify and analyze all potential hazards and mitigate risk. However, FAA faces challenges in achieving the proactive benefits of SMS while also ensuring regulatory compliance. Specifically, FAA is responsible for ensuring that air carriers' SMS effectively manage safety risks and maintain compliance with existing regulatory standards. Additionally, FAA inspectors are required to evaluate whether air carrier's risk assessments contain acceptable risk ratings, root cause analysis, and proposed corrective actions.
- Our work has shown that FAA's oversight structure is not keeping pace with these system requirements. Last year, we reported that FAA inspectors for Southwest Airlines' were not evaluating air carrier risk assessments or safety culture—key components of SMS. Yet, FAA used the air carrier's SMS risk assessments to justify continued non-compliance with safety regulations.
- We also recently reported that FAA inspectors for American Airlines accepted root cause analysis, corrective actions, and risk controls that were insufficient when overseeing the carrier. Therefore, a key challenge for FAA will be providing the comprehensive training, tools, and guidance inspectors need to be fully prepared to oversee SMS.
- Further, FAA must have a sufficient inspector workforce in place to conduct necessary oversight of SMS and other critical areas. We recently reported that FAA has taken steps to improve its inspector staffing model. However, the Agency has not yet addressed some long-standing recommendations from the National Research Council, such as establishing performance measures to assess the model's accuracy. Until FAA makes further improvements, including updates to reflect organizational changes, the Agency will continue to face challenges in determining its inspector staffing needs.

The Four Components of Safety Management Systems

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

Barry J. DeWeese
Principal Assistant Inspector General for Auditing and Evaluation
(202) 366-1302 | Barry.DeWeese@oig.dot.gov

Recent Progress Reported by the Department

- *Boeing 737 MAX Certification and Delegation.* FAA is taking steps to address recommendations from multiple external and internal reviews, including areas we identified in our February 2021 report, such as determining whether Boeing had met the requirements of the 2015 Settlement Agreement.
- *Advancing FAA's Air Carrier Oversight.* FAA has completed actions on 6 of 18 recommendations and continues to work on implementing inspector guidance and training in a number of SMS areas, including root cause analysis, air carrier safety culture, and regulatory compliance.

Related OIG Work

FAA Lacks Effective Oversight Controls To Determine Whether American Airlines Appropriately Identifies, Assesses, and Mitigates Aircraft Maintenance Risks (October 20, 2021)

>> 7 recommendations (7 open, 0 closed)

FAA Can Increase Its Inspector Staffing Model's Effectiveness by Implementing System Improvements and Maximizing Its Capabilities (August 11, 2021)

>> 7 recommendations (7 open, 0 closed)

Weaknesses in FAA's Certification and Delegation Processes Hindered Its Oversight of the 737 MAX 8 (February 23, 2021)

>> 14 recommendations (13 open, 1 closed)

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)

>> *No recommendations*

FAA Has Not Effectively Overseen Southwest Airlines' Systems for Managing Safety Risks (June 29, 2020)

>> 11 recommendations (5 open, 6 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 Priorities
Safety

One of DOT's top priorities is to ensure the U.S. transportation system is the safest in the world, and it has continually focused on making highways, railroads, and pipelines safer. While fatalities due to motor vehicle crashes had been decreasing in recent years, NHTSA estimated that over 38,000 people died in crashes during 2020—the largest number since 2007 (see figure). To further enhance safety, the Department must increase compliance with safety regulations by improving its monitoring and enforcement of surface transportation safety programs.

Increasing Compliance With Safety Regulations and Programs by Improving Monitoring and Enforcement

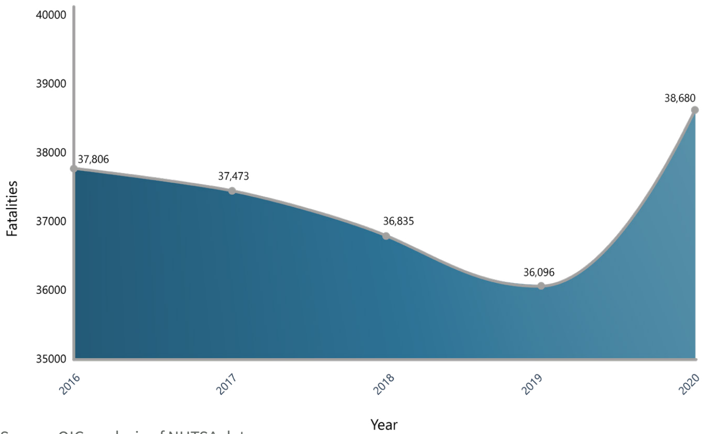
Motor Carrier Safety

- Fatalities involving large trucks and buses have increased in recent years. This year, we reported that weaknesses in FMCSA's oversight of commercial driver medical certification and commercial driver license (CDL) disqualification requirements increase the risk of negative safety impacts. Robust oversight of States' compliance with requirements for commercial driver programs is vital to FMCSA's efforts to improve highway safety. Additionally, our investigations in the last 5 fiscal years have uncovered a variety of types of CDL fraud (see graphic on next page).
- Targeting high-risk motor carriers also plays a key role in FMCSA's efforts to improve motor carrier safety. To ensure the effectiveness of its carrier interventions, FMCSA must take steps to improve the quality and transparency of data, safety measures, and its assessment of carrier safety rankings.

Rail Safety

- Enhancing rail safety will require FRA to take action to improve its conductor certification and drug and alcohol programs. FRA also has opportunities to develop audit procedures, staff training, and planning and support tools to address regulations governing positive train control, system safety, and risk reduction. Taking these actions will help focus the Agency's limited resources on oversight and enforcement for high-risk railroad safety requirements and performance areas.

Fatalities in Motor Vehicle Traffic Crashes on U.S. Roadways, 2016–2020



Source: OIG analysis of NHTSA data

COVID-19 Impact and Response

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) authorized DOT to temporarily waive certain Federal requirements associated with surface safety programs. For example, in April 2020, NHTSA waived or postponed seven statutory or regulatory requirements for its Highway Safety Grant Program and extended two of the seven waivers in April 2021. While these NHTSA waivers and most other DOT waivers expired at the end of fiscal year 2021, DOT must remain vigilant in monitoring the use of ongoing waivers. Vigilance includes providing transparency, ensuring waivers do not adversely impact program effectiveness and public safety, and meeting congressional reporting requirements. DOT will also need to address economic impacts the pandemic may have on State and local funding for surface transportation safety programs and to understand and mitigate causes of the 2020 surge in roadway fatalities.

Increasing Compliance (Continued)

Pipeline and Hazardous Materials Safety

- Nurturing a positive safety culture that supports oversight of the safe transportation of natural gas, petroleum, and other hazardous material is another challenge for DOT. A positive safety culture is essential to any organization that directly or indirectly deals with addressing high hazard risks. While PHMSA exhibits several indicators of a positive safety culture, there are key focus areas—including trust and communication—where the Agency's safety culture could be enhanced.

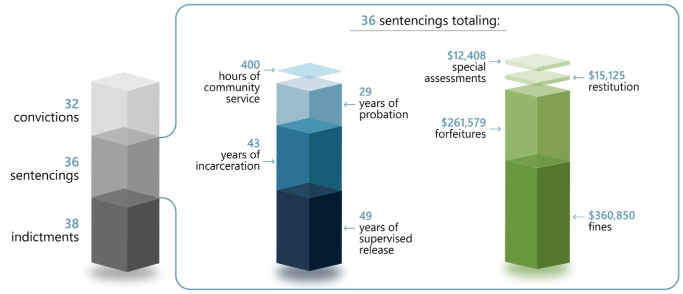
Vehicle and Highway Safety

- Identifying vehicle safety defects and monitoring recalls remains essential to reducing traffic fatalities. To help meet this challenge, NHTSA established an online portal for manufacturer recall submissions, enhanced requirements for notifying owners about defects, and adopted a risk-based approach to review recalls for adequate scope and remedy. NHTSA believes this has resulted in process improvements among manufacturers and more timely identification of recalls and increased recall completion rates. While these are positive steps, NHTSA must focus on manufacturers' adherence to these process improvements because safety defects, such as faulty Takata airbags, remain in vehicles and pose a risk to vehicle occupants.
- Ensuring that all vehicles meet Federal Motor Vehicle Safety Standards is critical to NHTSA's safety mission. NHTSA can reduce the risk of unsafe vehicles operating on U.S. roads by updating standardized procedures for acting on rulemaking petitions on time and reviewing compliance test reports. The Agency also has an opportunity to improve staff training to better identify and enforce noncompliance.

Accounting for User Behavior Across Transportation Modes

- These Operating Administrations have a common purpose to facilitate the safe movement of people and goods. However, transportation users may respond to regulations implemented by one Operating Administration by changing their behavior and choosing a different mode, such as driving rather than flying. The COVID-19 pandemic and other events have highlighted a need to understand the impact of users' decisions on overall transportation safety.

OIG Investigative Outcomes for Cases Related to CDL Fraud



From October 1, 2016, through July 21, 2021, OIG opened 39 investigations and complaints involving CDL fraud in the following four subcategories: (1) CDL, (2) fraud involving a school or third-party tester, (3) public corruption of a DOT of Motor Vehicles employee, and (4) attempted bribery and drug and alcohol program violations.

Source: OIG

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Recent Progress Reported by the Department

- *Updating Data From Medical Examiners.* FMCSA issued a deadline of September 30, 2021, for medical examiners to complete uploads to the National Registry of Certified Medical Examiners of driver examinations they conducted during a lengthy National Registry outage. This action implements our recommendation that FMCSA eliminate the backlog of driver examination results held by medical examiners.
- *Exchanging Commercial Driver History Data.* FMCSA published a final rule, effective August 23, 2021, requiring State driver licensing agencies to implement a system and practices for the exclusively electronic exchange of driver history record information. Such practices include posting convictions, withdrawals, and disqualifications. The rule aligns FMCSA's regulations with existing statutory requirements and requires that States comply within 3 years.

Related OIG Work

FMCSA Has Gaps and Challenges in Its Oversight of CDL Disqualification Regulations (July 14, 2021)

>> 7 recommendations (7 open, 0 closed)

PHMSA's Safety Culture Efforts (January 13, 2021)

>> 2 recommendations (2 open, 0 closed)

FMCSA Has Not Fully Met Oversight Requirements as It Rebuilds the National Registry of Certified Medical Examiners (January 13, 2021)

>> 4 recommendations (3 open, 1 closed)

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

AIR TRAFFIC CONTROL AND AIRSPACE MODERNIZATION

OAs Impacted
FAA

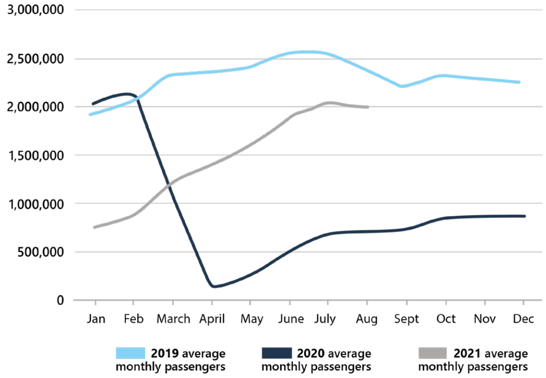
Related DOT Priorities
Safety, Infrastructure, Innovation

Aimed at modernizing our Nation's aging air traffic system, FAA's Next Generation Air Transportation System (NextGen) requires joint investment from FAA (new ground-based systems for controllers) and air carriers (new avionics and displays for pilots). FAA and air carriers are expected to invest more than $36 billion in NextGen by 2030, including up to $15 billion by air carriers. However, to date, NextGen programs have only achieved a small percentage of the expected benefits. FAA will have to continue working with industry to secure additional investments, while also deploying controller automation tools that are intended to provide safer and more efficient air traffic management.

Managing Expectations of NextGen Benefits To Justify Investments

- NextGen was expected to benefit airspace users by accommodating a significant projected growth in air traffic and passengers while reducing congestion-based delays. However, as we reported in March 2021, NextGen benefits have not kept pace with expectations because of overly optimistic air traffic and passenger growth projections, which the COVID-19 pandemic further affected.
- During summer 2021, air traffic began returning to pre-pandemic levels (see figure), and FAA expects reliance on NextGen programs to grow in tandem to reduce congestion-based delays. Nevertheless, considerable uncertainties remain about how continued COVID-19 concerns both domestically and internationally may impact air traffic levels, travel patterns, and the mix of passenger and cargo traffic. In any case, NextGen's impact on delays is difficult to measure due to the complexity of our National Airspace System and factors outside FAA's control, such as weather and airline business decisions. To justify its investment and convince air carriers, FAA should continue to develop metrics to capture NextGen performance while accounting for these offsetting factors to communicate actual benefits to airspace users.
- Realizing full capabilities and benefits of NextGen technologies—such as performance-based navigation (PBN), Data Communications, and Automatic Dependent Surveillance-Broadcast—depends on airlines' willingness to install costly avionics. While FAA has collaborated with industry to prioritize, implement, and measure NextGen benefits, sustained demonstration and prioritization of its most beneficial capabilities are key to securing industry's continued investment.

Trends in Air Carrier Passenger Traffic, 2019–2021



Source: Transportation Security Administration data on passenger volumes at security checkpoints.

COVID-19 Impact and Response

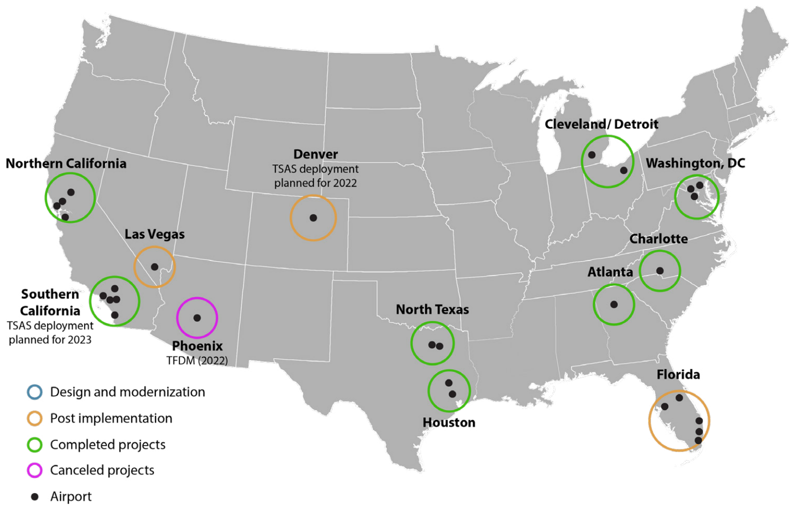
The COVID-19 pandemic has challenged FAA's airspace modernization efforts in a number of areas, including:

- *NextGen Implementation.* The COVID-19 pandemic has led to implementation delays for key NextGen programs, including Terminal Flight Data Manager and Data Communications.
- *Metroplex and Controller Automation Tools.* Due to reduced traffic levels, FAA delayed post-implementation data gathering for the Denver Metroplex project—which aims to implement new flight procedures to more efficiently manage air traffic in metropolitan areas. The pandemic also contributed to delays in deployment of Terminal Sequencing and Spacing (TSAS), a key controller automation tool.

Deploying Controller Automation Tools To Improve Efficiency

- FAA and industry's top NextGen priorities include implementing PBN to provide more direct flight paths and improving surface operations to increase efficient movement between airport gates and runways. To help controllers manage this traffic, FAA is deploying new automated tools, which can also help optimize airspace user benefits.
- However, FAA has not effectively implemented one controller tool, Time-Based Flow Management, and has experienced delays with implementing the TSAS tool in airspace close to airports. TSAS deployment has been delayed at least 3 years and is currently planned for only two locations (Denver and Southern California)—reduced from nine previously planned locations—due to other priorities, a furlough, and the pandemic. These obstacles have contributed to less than expected benefits for the Metroplex program, which aimed to implement PBN in 12 congested metropolitan areas (see figure).
- FAA also faces challenges in deploying the Terminal Flight Data Manager (TFDM), a new $869 million surface management system, including electronic flight strips to more efficiently track flights. FAA must address complex interdependencies within the wide range of systems needed to boost airport surface operations and integrate TFDM with other traffic management systems.

Metroplex and Controller Automation Tools Implementation Sites and Their Status Through 2023



Source: OIG analysis of FAA data

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Recent Progress Reported by the Department

FAA has taken appropriate steps to close the remaining two of our 2019 report's five recommendations regarding its Metroplex program. Actions included establishing processes to track and evaluate actions taken to address identified obstacles—such as deployment of automation tools.

Related OIG Work

NextGen Benefits Have Not Kept Pace With Initial Projections, but Opportunities Remain To Improve Future Modernization Efforts (March 30, 2021)

>> 3 recommendations (3 open, 0 closed)

Letter to Chairman Bill Shuster and Chairman Frank LoBiondo Regarding FAA's July 2016 NextGen Business Case (August 15, 2017)

>> No recommendations

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

>> 5 recommendations (5 open, 0 closed)

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

SURFACE TRANSPORTATION INFRASTRUCTURE

OAs Impacted
FHWA, FRA, FTA

Related DOT Priorities
Infrastructure

DOT annually invests over $60 billion in our Nation's transportation infrastructure through vital highway, transit, and railroad programs. Our work has shown that DOT faces the ongoing challenge of managing these programs and funds, as well as ensuring adherence to Federal requirements and priorities. Further, the Department must now effectively oversee an additional $83+ billion in COVID-19 relief funding. For these funds to be well-spent, DOT must ensure that States and other grantees use sound practices to oversee this influx of Federal funding and use these funds to address maintaining, improving, and updating the Nation's aging surface transportation infrastructure.

Employing Effective Oversight of Federal Funding for Response, Recovery, and Rebuilding Projects

- DOT must rethink its oversight approach given the pandemic's impact on program risks and operations—such as in-person inspections and travel—and adjust its oversight to ensure that recipients meet new requirements and use funds only for eligible purposes. For example, while FTA was monitoring and providing guidance to grant recipients, it postponed fiscal year 2020 oversight reviews until fiscal year 2021. In April 2021, FTA reported that it had incorporated oversight of COVID-19 relief funds into the Agency's existing oversight program and developed a new proactive approach that focuses on technical assistance for fund recipients. In summer 2021, FTA planned to begin supplemental oversight activities for COVID-19 relief funding recipients not scheduled for a Triennial or State Management Review in 2021. However, pandemic-related restrictions and alternative work arrangements remain in effect and are planned to continue into 2022, posing continued challenges to comprehensive oversight.
- DOT's challenges also include tracking recovery data and providing clear direction to grantees on Federal requirements for documenting expenditures of COVID-19 relief funds. In 2021, we reported that FTA inconsistently tracks and reports Hurricane Sandy funding data and does not fully comply with Federal guidance, which hinders the usefulness and reduces the transparency of such data for internal users, decision makers, and the public. Our 2018 report on FHWA's Emergency Relief Program (ERP) found weaknesses in how the Agency tracks data on resilience improvements, which impedes its ability to enhance its stewardship of ERP funds. Two of our three recommendations to strengthen FHWA's ERP guidance remain open. In July 2021, as part of our continuing monitoring of FTA, we announced a new audit of the Agency's COVID-19 relief funding oversight.

COVID-19 Relief Funds Provided to DOT's Surface Transportation Agencies, as of July 6, 2021

	Laws and Related Funding			
DOT Agency	CARES Act $26,018,250,000	CRRSA Act $25,000,000,000	ARP Act $32,161,356,000	Total by Agency
FHWA	NA	$10,000,000,000	NA	$10,000,000,000
FRA	$1,018,250,000	$1,000,000,000	$1,700,000,000	$3,718,250,000
FTA	$25,000,000,000	$14,000,000,000	$30,461,356,000	$69,461,356,000
			Total COVID-19 Relief Funds Under the three Acts:	$83,179,606,000

Legend: CARES Act, CRRSA Act, ARP Act

Source: DOT Office of the Chief Financial Officer

COVID-19 Impact and Response

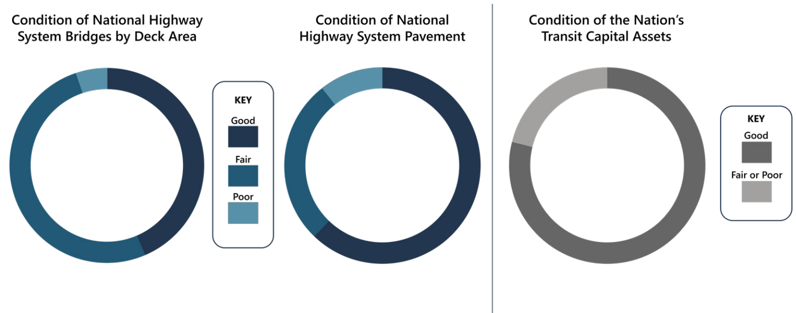
COVID-19 has had a wide-reaching impact on the transportation industry and our economy. Given the over $83 billion in COVID-19 relief funds DOT's surface transportation agencies have received (see figure), the Department will need to maintain focus on the most significant risk areas related to surface transportation infrastructure. In addition, DOT will have to apply robust internal controls to spend COVID-19 relief funds effectively; prevent fraud, waste, and abuse; ensure compliance with the law; and carry out its mission. Meeting these goals will maximize the value of taxpayer dollars during this critical time.

Enhancing Risk-Based Oversight To Improve Project Delivery and Update and Maintain Surface Transportation Infrastructure

- FHWA oversees over $40 billion in annual Federal funds to construct and improve the Nation's highways, many of which are aging and in need of repair (see figure). The effectiveness of the Agency's oversight relies on its ability to leverage its limited resources to implement its risk-based oversight process. Specifically, FHWA's approach involves integrating risk management into its performance planning process for stewardship and oversight of Federal-aid programs and projects to ensure successful project delivery. However, FHWA has faced challenges to its ability to conduct and document project risk assessments in accordance with its guidance and approving and monitoring public-private partnerships used to construct highway infrastructure. Accordingly, 12 OIG recommendations from three recent audits related to FHWA's planning and use of risk-based processes and oversight methods for infrastructure projects remain open. Timely action on these recommendations will help strengthen the Agency's risk-based project involvement.

- FRA oversees annual Federal funding for Amtrak, which totaled $2 billion in fiscal year 2020. In June 2021, we reported that sustained FRA action is needed to improve its oversight of Amtrak's use of these Federal funds, including adopting a grants management framework for its Amtrak oversight. Such a framework should contain measurable goals and metrics and a centralized grants management system. These enhancements will also help the Agency oversee the $3.7 billion in supplemental funding appropriated to Amtrak to mitigate the impact of COVID-19.

Condition of DOT's Surface Transportation Infrastructure, 2019–2020



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

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Recent Progress Reported by the Department

- *FRA Oversight.* In response to our 2020 report, FRA took action to strengthen oversight of its High-Speed Rail Program, resulting in the closure of all four recommendations. FRA's corrective actions included revising and implementing policies, procedures, and guidance for its assessment and mitigation of risks, documentation of decisions on escalating grant noncompliance issues within FRA, and processes for overseeing grantees' compliance with Federal expenditure requirements.

- *FHWA Risk-Based Oversight.* In response to our 2020 report, FHWA has acted to improve its guidance for risk-based project involvement, resulting in the closure of five related recommendations.

Related OIG Work

FTA Made Progress in Providing Hurricane Sandy Funds but Weaknesses in Tracking and Reporting Reduce Transparency Into Their Use (July 21, 2021)

>> 2 recommendations (2 open, 0 closed)

Fully Implementing a Grants Management Framework Will Enhance FRA's Amtrak Funding Oversight (June 30, 2021)

>> 4 recommendations (4 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)

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 (3 open, 5 closed)

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

CONTRACT AND GRANT FUND STEWARDSHIP

OAs Impacted
Departmentwide

Related DOT Priorities
Infrastructure, Safety

In addition to its typical pre-pandemic annual contract and grant obligations—totaling over $74 billion in fiscal year 2019—DOT is also responsible for obligating the over $106 billion it received from Congress for COVID-19 relief across all modes of transportation. Given this large influx of funds, DOT must sharpen its focus on its contract, grant award, and administrative practices. This includes ensuring compliance with a number of domestic preference and supply chain requirements, as well as dedicating qualified and sufficient oversight staff equipped with the necessary tools to protect these funds from waste, fraud, and abuse.

Managing Domestic Preference and Supply Chain Risk

- To strengthen the economy and national security—a need greatly magnified by the impact of the pandemic—Federal agencies have been directed to make domestic preference and supply chain risk management a priority when expending funds. As such, DOT must comply with several requirements—such as the Buy American Act—when awarding and administering contracts and grants. DOT must also mitigate other supply-chain risks including: protecting against prohibited sources; adversarial risks such as use of counterfeit or grey-market parts or products, or malicious software; and non-adversarial risks such as poor quality services or practices in design and manufacturing of parts or products.
- These requirements are complex, difficult to administer, and affect all phases of the acquisition lifecycle. For example, awarding officials must ensure vendors certify domestic content, waivers are appropriately applied, and telecommunications equipment or services are not purchased or supplied from prohibited sources.
- Given the rigors of these requirements, DOT will be challenged to ensure compliance. Our recent review of FAA's compliance with the Buy American laws identified up to $127 million in funds that could be put to better use. This is because contracts were missing vendor certifications that are required to validate domestic content and protect the Agency from purchasing unauthorized foreign supplies. To manage these and other risks, it is critical DOT update its guidance; conduct training; and keep up with evolving requirements, including additions to the prohibited sources list.

Contract and Grant Administration Burden Added by CARES Act 2020

DOT Agency	COVID-19* Budget Authority [*CARES, CRRSA, and ARP Acts]	FY 19 Contract and Grant Obligations
FTA	$69,461,360,000	$15,506,400,000
FAA	$20,034,000,000	$7,944,000,000
FHWA	$10,000,000,000	$46,037,000,000
FRA	$3,718,250,000	$2,076,400,000
OST	$3,081,090,000	$957,900,000
MARAD	$4,100,000	$457,100,000
FMCSA	$150,000	$406,400,000
Legend	COVID-19* Budget Authority (rounded to ten thousands)	FY 19 Contract and Grant Obligations (rounded to hundred thousands)

Source: OIG analysis of DOT data

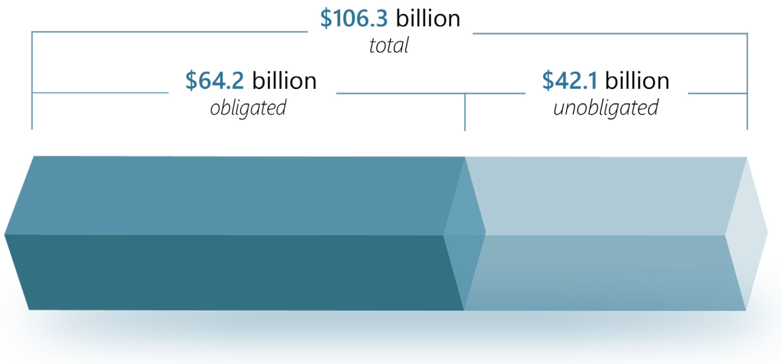
COVID-19 Impact and Response

Congress appropriated $106 billion to OST and six DOT agencies for their COVID-19 response efforts (see figure). These agencies represented over 98 percent of the Department's fiscal year 2019 contract and grant obligations. Most of these COVID-19 relief funds came with distinct requirements on their use and with the intent of being awarded quickly. Our previous emergency and disaster response work has demonstrated that compliant award and administration practices and focused oversight are critical to support DOT's proper stewardship and accountability of funds.

Dedicating Qualified and Sufficient Oversight Resources for Contract and Grant Funds

- With the addition of billions in COVID-19 relief funds on top of DOT's already multibillion-dollar annual contract and grant spending, it is critical the Department improve the qualifications and training of its staff who manage and oversee these funds. DOT must also equip them with sufficient tools to carry out their oversight responsibilities.
- In our recent audit of FAA's acquisition workforce, we found nearly half of the 69 Contracting Officer's Representatives in our sample lacked required certifications. FAA may be putting Federal funds at risk by allowing its acquisition workforce to manage complex, costly, and mission-critical contracts without the required qualifications. In our recent audit of MARAD's National Security Multi-Mission Vessels (NSMV) program management, we found MARAD lacked a tool to help adequately monitor project management risks for the billion-plus dollar program. This inhibited MARAD's ability to implement effective mitigation strategies and focus resources on the greatest risks. Finally, several of our past audits—including for disaster relief response—found DOT did not ensure oversight support staff consistently documented their reviews or that resulting recommendations were tracked and resolved at the grantee and Federal levels.
- Given the sizeable increase in contract and grant dollars from COVID-19 relief funds, DOT will be challenged to dedicate sufficient and qualified oversight to help ensure these funds are properly used.

DOT Progress in Obligating COVID-19 Relief Funding, as of October 4, 2021



Source: DOT

Recent Progress Reported by the Department

- DOT is making progress in distributing its $106 billion in COVID-19 relief funding. DOT reported that, as of October 4, 2021, it has obligated over $64 billion (see figure).
- MARAD has taken actions to address our recommendations to improve its NSMV program management. This includes developing and implementing a risk management process and vessel construction manager oversight plans. These actions will assist MARAD in making informed program management decisions to help mitigate adverse cost, schedule, or performance impacts.
- FAA is taking positive steps toward establishing a risk-based oversight approach and has categorized all COVID-related relief grants as "high risk," thus strengthening its ability to manage these grant funds.

Related OIG Work

FAA Faces Challenges in Tracking Its Acquisition Workforce and Ensuring Compliance With Training Certification, and Warrant Requirements (September 27, 2021)

>> 8 recommendations (8 opened, 0 closed)

Gaps in Guidance, Training, and Oversight Impede FAA's Ability To Comply With Buy American Laws (June 2, 2021)

>> 8 recommendations (8 open, 0 closed)

Vulnerabilities in MARAD's NSMV Program May Hinder Effective Achievement of Program Goals (March 2, 2021)

>> 2 recommendations (0 open, 2 closed)

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

INFORMATION SECURITY

OAs Impacted
Departmentwide

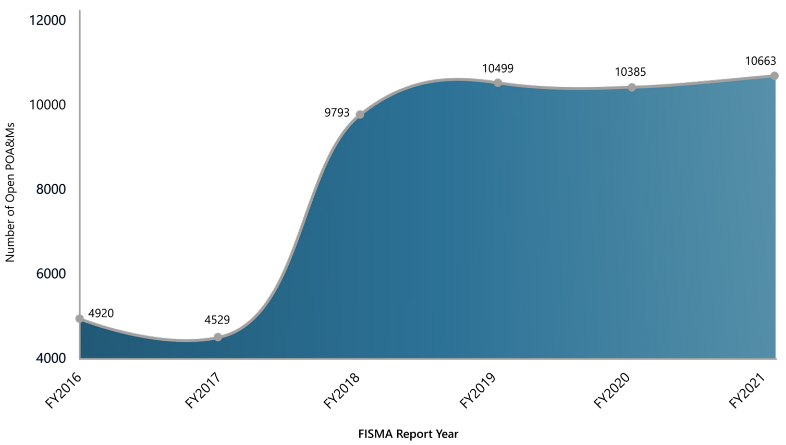
Related DOT Priorities
Innovation, Infrastructure

DOT relies on over 400 information technology (IT) systems to carry out its mission, including safe air traffic control, annual disbursement of billions of dollars, and privacy and sensitive data protection. However, recurring cybersecurity weaknesses reduce the effectiveness of DOT's information security and may leave key systems vulnerable to cyberattacks, takeovers, and data breaches. Remediating these weaknesses and strengthening internal controls is key to protecting departmental IT infrastructure and sensitive security information and improving DOT's cybersecurity posture. Also important is DOT's coordination with other agencies and industry partners to ensure cybersecurity in the transportation sector.

Addressing DOT's Recurring Cybersecurity Weaknesses

- To resolve the 66 open recommendations we made in our last 10 Federal Information Security Modernization Act (FISMA) audits, DOT needs a holistic approach with sustained focus and direction. These recommendations include 10,663 security weaknesses identified in departmental plans of actions and milestones (POA&Ms; see figure). In particular, DOT still does not enforce all Federal requirements, including timely weakness remediation, as its delayed 9,074 POA&Ms indicate.
- Our 2021 FISMA assessment of DOT's Common Operating Environment, which provides centralized IT services to OAs, revealed high-risk security vulnerabilities that an attacker could exploit to control systems or access files and data. For example, weaknesses such as inconsistent software updates could jeopardize data integrity and confidentiality. We identified similar weaknesses as early as 2012 and will issue an updated report with recommendations this year.
- Since 2013, DOT has not had a comprehensive and accurate inventory of its information systems, including cloud systems. The lack of such an inventory creates a risk that DOT may be unaware of some systems and unable to identify and address all vulnerabilities. The Department has also not resolved our 2018 recommendation to develop and maintain accurate inventories of cloud systems, contractor systems, and websites that allow public access. The lack of accurate inventories may be all the more important in light of the increased use of telework in response to COVID-19.

Total Number of Open POA&Ms Departmentwide Since 2016



Source: OIG analysis of DOT data

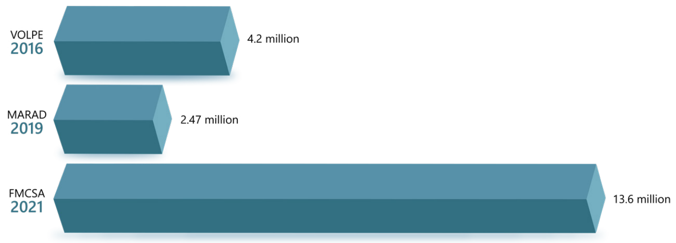
COVID-19 Impact and Response

On March 16, 2020, DOT transitioned to maximum telework, and the Department has largely remained in this posture ever since, affecting the access of DOT staff to Department IT systems and introducing potential security vulnerabilities. For example, the pandemic affected FTA's ability to approve and disburse COVID-19 relief funds through its financial management systems. Given the influx of billions of dollars in COVID-19 relief funds and their rapid distribution, it is important for DOT to minimize the risk of compromise to the financial management systems it uses to process and monitor billions in funding and to distribute payments.

Protecting DOT's IT Infrastructure and Sensitive Information

- DOT continues to face challenges in protecting the IT infrastructure that it and its OAs manage and monitor. This includes protecting sensitive information, particularly the personally identifiable information (PII) in systems that the Department hosts. In our recent audits of Volpe's, MARAD's, and FMSCA's cybersecurity postures, we identified and could have exploited security weaknesses and accessed millions of data records.
- During these audits, we also identified recurring weaknesses that we could exploit, including poor security practices, such as weak administrative-level login credentials, unpatched servers and workstations, and a lack of encryption of sensitive data. We were able to access millions of sensitive records, including PII (see figure), which could have cost the Department millions of dollars in credit monitoring fees for affected individuals to protect them from identity theft.

Number of Unauthorized PII Records That OIG Was Able To Access From Volpe, MARAD, and FMCSA



Source: Results of OIG audits of Volpe, MARAD, and FMCSA security postures conducted in 2016, 2019, and 2021, respectively.

Coordinating With Other Agencies and Industry Partners To Ensure Cybersecurity in the Transportation Sector

- On May 8, 2021, the Colonial Pipeline Company announced that it had halted its pipeline operations due to a ransomware attack, disrupting critical supplies of gasoline and other refined products throughout the East Coast. The Colonial Pipeline and other cyberattacks have elevated concerns about the security of the Nation's energy pipelines and Government programs to protect critical infrastructure.
- On May 12, 2021, the President issued Executive Order 14028 charging the Federal Government to improve its efforts to identify, deter, protect against, detect, and respond to increasingly sophisticated malicious cyber campaigns facing the United States. The Order also states that protecting our Nation from malicious cyber actors requires the Federal Government to partner with the private sector.
- As a lead agency in protecting the critical infrastructure of the Nation's transportation sector, DOT must coordinate with other Federal agencies and industry partners to mitigate vulnerabilities and ensure cybersecurity. For example, the FAA Extension, Safety, and Security Act of 2016 directs FAA to develop a comprehensive, strategic framework to reduce cybersecurity risks to civil aviation. FAA's efforts to implement this framework involve coordination and collaboration on aviation cybersecurity with the Departments of Homeland Security and Defense through the Aviation Cyber Initiative.

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Recent Progress Reported by the Department

According to senior officials, when faced with stay-at-home orders in March 2020, DOT successfully transitioned to 100 percent telework-ready in 5 days. The Department adjusted operations by expediting the acquisitions process, distributing 15,000 laptops, and focusing on technology updates. The Office of Chief Information Officer tripled departmental network bandwidth and upgraded security to ensure that employees working from home could access systems and data to fulfill their responsibilities.

Related OIG Work

FISMA 2021–Quality Control Review of the Independent Auditor's Report on the Assessment of DOT's Information Security Program and Practices (October 25, 2021)

>> 5 recommendations (5 open, 0 closed)

FMCSA's IT Infrastructure Is at Risk for Compromise (October 20, 2021)

>> 13 recommendations (13 open, 0 closed)

FISMA 2020–Quality Control Review of the Independent Auditor's Report on the Assessment of DOT's Information Security Program and Practices (October 26, 2020)

>> 18 recommendations (18 open, 0 closed)

FAA and Its Partner Agencies Have Begun Work on the Aviation Cyber Initiative and Are Implementing Priorities (September 2, 2020)

>> 1 recommendation (0 open, 1 closed)

The Maritime Administration's IT Infrastructure Is at Risk for Compromise (July 24, 2019)

>> 19 recommendations (8 open, 11 closed)

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

FINANCIAL MANAGEMENT

OAs Impacted
Departmentwide

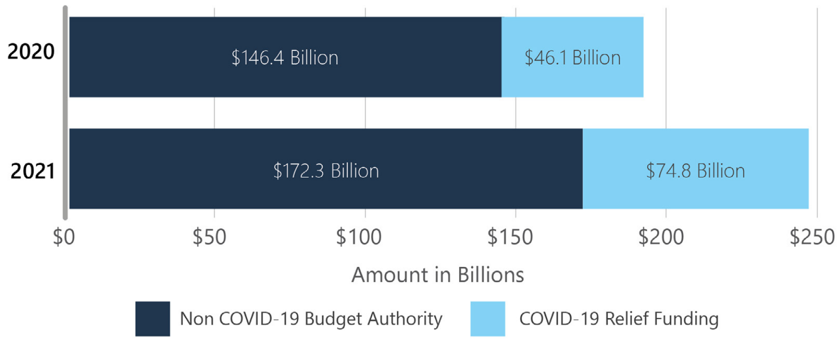
Related DOT Priorities
Infrastructure

For fiscal year 2021, DOT's budget included $247 billion to fund programs and other operations through grants, contracts, and other means. DOT has made progress in its financial management, including reduction of improper payments, but following more than $100 billion in COVID-19 relief funding, DOT now monitors significantly more grants. Given the significant influx of new grant funding, DOT may be challenged to provide effective financial management. Improving grant monitoring procedures with consistent oversight and maintaining controls to avoid increases in improper payments is critical to helping the Department safeguard assets.

Avoiding Increases in Improper Payments

- Internal controls to detect and prevent improper payments help ensure that grantees meet Federal requirements. The Payment Integrity Information Act of 2019 (PIIA) requires agencies to identify, report, and reduce improper payments in their programs.
- PIIA emphasizes payment integrity and improper payment reduction and requires agencies to develop plans to prevent improper payments and inspectors general to evaluate these efforts.
- The drastic growth in disbursements and volume of transactions related to COVID-19 relief will increase DOT programs' susceptibility to improper payments, as our reviews have identified in connection with previous large-dollar emergency relief programs such as the American Recovery and Reinvestment Act of 2009 (ARRA). The Department will need to maintain focus on controls for detecting and preventing improper payments in order to safeguard billions of dollars in payments and ensure DOT's continued compliance with PIIA.

Increase in DOT Budget Authority for COVID-19 Relief Funding, 2020 versus 2021



Note: Budget authority is the authority provided by Federal law to incur financial obligations that will result in outlays.
Source: DOT quarterly financial statements as of June 30, 2020 and June 30, 2021 (unaudited)

COVID-19 Impact and Response

Grants carry an inherent risk because grantees may intentionally or unintentionally use grant funds in ways that do not align with the purpose or guidelines of the DOT program. The significant increases in the number of grants and total disbursement dollars due to CARES Act and other COVID-19 relief appropriations heighten this risk (see figure) and will call for strong internal controls and oversight.

The increased workload placed on DOT staff who are processing these funds further increases this risk. For example, because a supervisor may have to review more transactions in less time, review quality may go down and risk for improper payments may go up.

Improving Policies and Procedures To Monitor and Report Grantee Spending

- DOT will need to timely resolve reported single audit findings to mitigate the risk of misuse of Federal funds. OMB's Uniform Guidance requires agencies to follow up on these findings and verify the appropriateness of grantees' actions to resolve them. We have communicated our concerns about untimely follow up on single audit findings to the Department. These findings directly affect DOT grant programs, and if uncorrected, future awards may be susceptible to the same weaknesses. Therefore, addressing this challenge is of growing importance as DOT grantees are receiving significantly increased funding through COVID-19 relief programs.
- Accurate grantee spending reports are also key for overseeing Federal funds. The Data Accountability and Transparency (DATA) Act establishes standards for financial data reporting and requires agencies to submit accurate, searchable data on grantee spending for decision makers and the public.
- In our review of DOT's DATA Act implementation for fiscal year 2021, we found that although data quality was classified as "higher," some data were incomplete, inaccurate, or untimely.
- DOT must provide accurate grantee spending data to mitigate risks and enhance accountability as it disburses COVID-19 relief and other funds. To do so successfully, DOT will have to continue to implement improved data quality procedures for DATA Act reporting, such as expanding the existing quarterly reviews to ensure potential data quality issues are investigated.

DID YOU KNOW?

An improper payment is a payment that should not have been made, or a payment in the incorrect amount.

Reasons a payment may be improper:

- Ineligible recipients
- Ineligible good or services
- Goods or services that were not received
- Uncredited discounts
- Duplicate payments
- Overpayments/underpayments
- Insufficient documentation to define a payment as proper

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Recent Progress Reported by the Department

- We recently reported that DOT complied with PIIA in fiscal year 2020, surpassed its improper payment reduction target of 0.85 percent, and reported an overall decrease in improper payments from 2019 of about $224 million. Further, during FY 2020, FHWA introduced new training content and additional guidance to help reduce the number of improper payments in State grant programs.
- In June 2020, the Department identified risk areas associated with each of its CARES Act programs. In particular, for FTA, the Department recognized that the CARES Act tripled FTA's budget and increased the amount of funding used for operating assistance by an even greater amount. To mitigate the risk of improper payments, FTA reported that it planned to dedicate additional staff to overseeing grantees and grants close-out.

Related OIG Work

Quality Control Review of the Independent Auditor's Review of DOT's Compliance With the Digital Accountability and Transparency Act (October 6, 2021)

>> 4 recommendations (4 open, 0 closed)

DOT's Fiscal Year 2020 Payment Integrity Information Act Compliance Review (July 14, 2021)

>> No recommendations

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

>> 2 recommendations (2 open, 0 closed)

ARRA Lessons Learned: FTA Needs To Improve Its Grant Oversight To Prevent Improper Payments (April 2, 2014)

>> 5 recommendations (0 open, 5 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 Priorities
Innovation, Safety

Preparing for the future of transportation is a fundamental challenge for DOT. This includes safely integrating new and evolving transportation technologies, including advanced energy sources, Unmanned Aircraft Systems (UAS), commercial space operations, and vehicle automation. DOT must also apply lessons learned from the COVID-19 pandemic's impact on transportation supply chains to better position the transportation industry for the future, while incorporating into its decision-making such issues as climate change and equity in infrastructure investments.

Safely Integrating New Technologies Into Transportation Systems

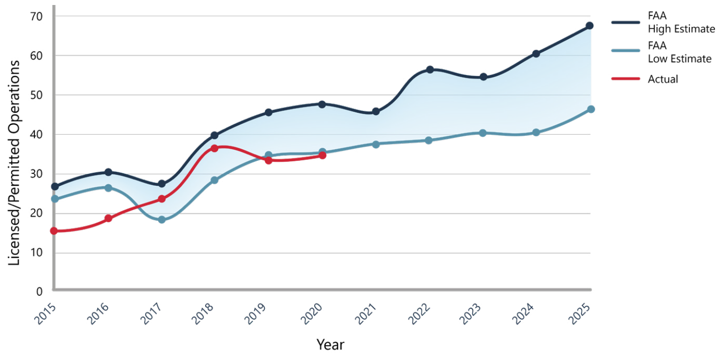
Unmanned Aircraft Systems

- Recognizing that UAS is the fastest growing aviation segment, FAA partnered with private and Government entities to advance and collect data on complex operations, such as package delivery and infrastructure inspection. However, FAA has yet to issue rulemaking to address operating UAS beyond visual line of sight throughout the National Airspace System (NAS). As a result, achieving full and safe integration of UAS remains an ongoing challenge.
- The growth of UAS also comes with the risk of nefarious uses of these systems. Federal agencies that have the statutory authority to mitigate UAS threats must coordinate with FAA to ensure counter-UAS technologies are safely tested and employed. Our office also continues to investigate cases related to unlawful use of UAS (see figure on p. 21).

Commercial Space Operations

- FAA reported that over the past 5 years, it has gone from licensing approximately one commercial space launch every month to more than one every week, including newly introduced passenger flights (see figure below). With the Federal Government and private industry increasingly relying on commercial space operators to meet its needs, and to instill public confidence in this changing industry, it is critical to strike the right balance between supporting the industry's continued development while safely integrating its operations into the NAS. This will require effective coordination with industry and other Federal agencies, continued regulatory enhancements, and deployment of new technologies, such as the Space Data Integrator.

Growth of Commercial Space Operations



Source: OIG analysis of FAA data

COVID-19 Impact and Response

The COVID-19 pandemic highlighted the importance of developing and maintaining resilient supply chains in industries that are essential to the Nation's economic vitality, national security, and public health. In particular, supply chain challenges for items such as medical supplies and semiconductor chips during the pandemic raised concerns about the United States' reliance on imports from foreign nations. These challenges also exposed the potential vulnerability to supply disruptions from a variety of sources ranging from international trade, global pandemics, and strategic competitors.

Safely Integrating New Technologies (Continued)

Vehicle Automation

- As the technology for automated vehicles evolves, DOT will need to apply lessons learned and the results of new data analysis to integrate these systems safely into transportation networks. The Department will face a significant challenge to develop standards and test new tools, while also assessing and overseeing the impact on surface infrastructure.

- DOT is collaborating with industry and other stakeholders to develop vehicle-to-everything technologies, which allow vehicles to communicate with surrounding traffic systems. However, much work remains to fully deploy these technologies.

Energy Innovation and Diversification

- For decades, an overwhelming proportion of many transportation systems have been powered by the combustion of fossil fuels. Private innovation coupled with Federal and State regulation have sparked the emergence of alternative energy sources in surface and air transportation, as well as transportation hubs including ports, airports, and city centers. However, technologies such as high energy-density batteries and the integration of supporting infrastructure into surface and air transportation networks present new safety challenges that must be monitored and addressed. Further, traditional energy sources and the infrastructure to support them will remain in place for decades to come, introducing additional complexity to transportation regulation.

Implementing Executive Orders and Other Federal Priorities To Tackle the Impact of Climate Change, Advance Equity, and Promote Resilience in Infrastructure and Supply Chains

- The Department is currently working to implement a series of Executive Orders (EOs) that address important transportation issues. For example, in accordance with EOs 14008 and 13985, DOT has identified addressing the impacts of climate change and longstanding inequities in infrastructure as among the Department's key principles.

- More specifically, EO 14008 requires Federal agencies to assess, disclose, and mitigate climate pollution and climate-related risks to increase national resilience. Successfully addressing this challenge will require DOT agencies to pursue a coordinated approach from planning to implementation, coupled with substantive engagement by all stakeholders.

- Additionally, to advance racial equity and support for underserved communities, EO 13985 requires Agency heads to review a selection of their Agency's programs and policies to assess whether underserved communities face systemic barriers in accessing benefits and opportunities.

Recent Progress Reported by the Department

- *UAS and Commercial Space.* FAA recently issued final rules addressing UAS remote identification and operations over people and formed a rulemaking committee on beyond line of sight operations. The Agency also published a final rule for commercial space that streamlined launch and reentry regulations into a single, performance-based regulation.

- *Guidance on Emerging Technologies.* 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 set forth a DOT framework for engaging emerging technologies and innovators.

- *Resilience in Infrastructure.* In January 2021, DOT released the Complementary Positioning, Navigation, and Timing (PNT) and GPS Backup Technologies Demonstration Report, which described the results of demonstrations conducted by a DOT team of Federal staff and contractors of suitable, mature, and commercially available technologies to back up or complement the timing services of GPS.

Implementing Executive Orders and Other Priorities (Continued)

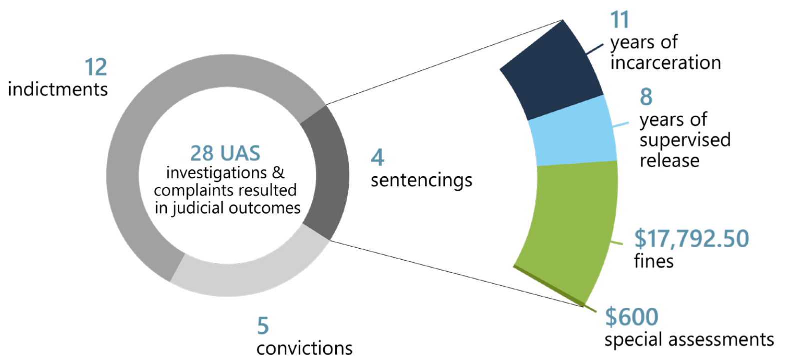
- As DOT invests resources in pursuing these and other objectives, it will need to determine whether new policies, regulations, or guidance are necessary to achieve departmental goals. DOT's efforts will also require development of equity data and analysis, which will allow comprehensive transportation analysis with an emphasis on equity, climate safety, and economic impact and other evidence-building efforts to respond to the climate crisis.

- The COVID-19 pandemic, recent cyber-attacks, extreme weather events, and geopolitical and economic competition have all highlighted the importance of resilient, diverse, and secure supply chains to ensure our economic prosperity and national security. In support of this goal, the recently issued EO 14017, America's Supply Chains, requires DOT to develop greater visibility into the supply chains supporting the transportation industrial base. Doing so will allow DOT to evaluate vulnerabilities and provide a foundation for developing and maintaining resilient transportation supply chains.

- Congress has also tasked DOT with leadership in resilience, including the responsibility to provide for the establishment, sustainment, and operation of a land-based, resilient, and reliable alternative timing system to provide a complement to and backup for the timing component of the Global Positioning System (GPS) that, to the maximum extent practicable, will be resilient and extremely difficult to disrupt or degrade.

OIG Investigative Outcomes on Cases Related to Unlawful UAS Activities

As UAS technology grows in popularity, legal cases involving unlawful use of UAS are starting to accumulate. OIG's criminal investigations related to UAS primarily involve individuals operating unregistered UAS and/or using UAS to deliver contraband to State Department of Corrections facilities. From FY 2017 to July 21, 2021, OIG conducted 36 investigations and complaints involving UAS, with 28 resulting in the following judicial outcomes:



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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)

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

EVOLVING OPERATIONS AND WORKFORCE MANAGEMENT

OAs Impacted
Departmentwide

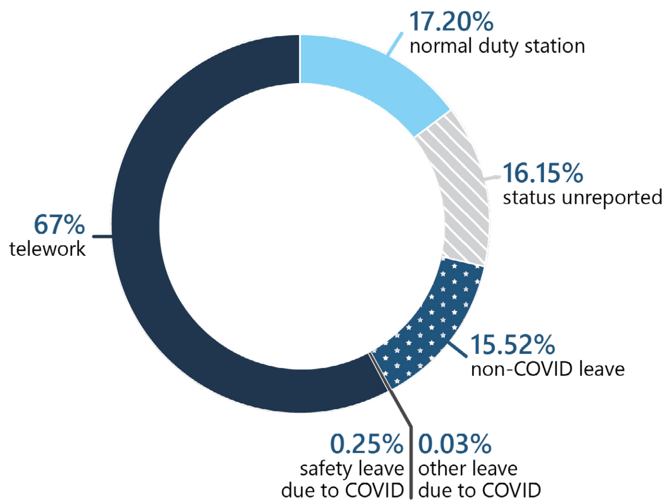
Related DOT Priorities
Safety

In response to COVID-19, on March 16, 2020, DOT transitioned to maximum telework for the health and welfare of its employees, consistent with the fulfillment of the Department's critical safety mission. Significant progress was made in the fight against the COVID-19 pandemic throughout spring 2021. However, the emergence of new variants and the continuing evolution of public health guidance over the last several months is again challenging DOT to respond effectively. Accordingly, DOT needs to continue to act prudently, while planning for an effective, orderly, and safe return of Federal employees and contractors to the physical workplace.

Integrating Lessons Learned To Facilitate Workplace Reentry

- DOT's ability to integrate lessons learned into its plans and align its procedures with operational and employee needs is critical to the successful transition from the current maximum teleworking environment. During the pandemic, only a fraction of DOT employees were working in their normal duty stations—such as only 17.2 percent of employees on August 4, 2021, according to DOT (see figure).
- In a January 2021 assessment of DOT's plans, we reported that the Department faced several challenges in safely transitioning personnel back to their duty stations. These included ensuring Operating Administrations have work plans that contain required elements and cover all duty stations, making detailed and current COVID-19 procedures available to all employees, and communicating fully with employees on reopening procedures and status.
- Since our assessment, OMB released new guidance for Federal agencies on reentry planning, but the challenges to safe workforce reentry we identified in January remain relevant. Importantly, OMB's guidance specifically states that Agency plans for reentry and post-reentry should be informed by lessons learned throughout the pandemic.
- DOT must also balance workplace needs with employee priorities and increased staff reliance on telework flexibilities over the extended period of maximum telework. According to OMB, the Federal Government's eventual operating state may differ in significant ways from its pre-pandemic operations. DOT will need to balance priorities when making decisions related to post-reentry personnel policies and the work environment, including through consideration of workforce needs such as mentoring, connectedness, supervision, and training. Overall, DOT's decisions must be guided by how to effectively achieve its agencies' missions in an evolving work environment.

Work Status of DOT Employees on August 4, 2021

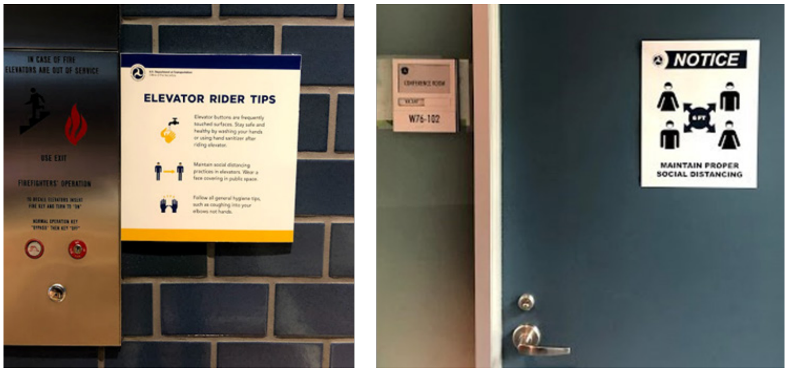


Source: DOT data, unverified by OIG

Communicating Fully and Consistently With Employees on Workplace Procedures, Status, Flexibility, and Expectations

- The Department's ability to communicate fully and consistently with employees on workplace procedures, status, flexibilities, and expectations is critical to the successful transition of agency operations to a new work environment.
- Our January 2021 assessment of the Department's planning efforts to return to normal operations identified communication as a significant challenge. Specifically, communication to DOT employees regarding the potential for office reopenings was fragmented and incomplete. Furthermore, COVID-19 communications originated from multiple sources within the Department and via multiple methods, including emails, DOT's intranet site, and physically posted signage (see figure). Consequently, there was no central source of return-to-work guidance, procedures, or information.
- In addition, DOT did not have a standard written policy for face coverings that Headquarters employees could reference, and the signage posted did not always clarify where in the building employees should wear masks. Subsequently, DOT has strengthened its mask mandate and requires face coverings in all common areas.
- Since our assessment, DOT has issued new guidance related to office reopenings and workplace safety multiple times. However, the Department must be prepared to adapt again as the COVID-19 pandemic evolves and guidance from the Centers for Disease Control and Prevention responds accordingly.
- The recognition by DOT and OMB that workforce reentry is closely linked to the future of work adds to the complexity of communications. Persuasively setting forth this future to Department employees and other stakeholders requires explaining not only the "what," but the "why," including with respect to issues such as the benefits of in-office, telework, and remote-work arrangements. In this dynamic pandemic environment, DOT's communications with its workforce will remain key to successfully continuing to meet its mission.

Signage at DOT Headquarters During COVID-19



Source: OIG photo taken November 19, 2020

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Recent Progress Reported by the Department

- On May 14, 2021, DOT updated its COVID-19 Workplace Safety Plan with implementation guidance. Applicable DOT-wide, the guidance focuses on the health and safety of all Federal employees, onsite contractors, visitors, and their families.
- On August 5, 2021, DOT released plans and guidelines for the DOT Future of Work, including revising the Department's telework policy. These plans announced the introduction of new work schedules for DOT employees in three phases beginning in October, with all employees starting their new work schedules by January 3, 2022.
- On September 3, 2021, the Department issued new guidance stating that Phase One reentry had been postponed from October to November 2021, to ensure that the Department has appropriate safety protocols in place.

Related OIG Work

Challenges To Implementing DOT's Framework for Return to Normal Operations (January 15, 2021)

>> No recommendations

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

Appendix. Department Response

Memorandum

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

Subject: **INFORMATION:** Management Response to the
Office of Inspector General (OIG) Draft Report:
DOT's Fiscal Year (FY) 2022 Top Management Challenges

From: Victoria B. Wassmer
Deputy Assistant Secretary for Finance and Budget

VICTORIA BAECHER WASSMER
Digitally signed by VICTORIA BAECHER WASSMER
Date: 2021.10.18 15:17:39 -04'00'

To: Eric J. Soskin
Inspector General

The mission of the Department of Transportation (DOT or Department) is to ensure the Nation has the safest, most equitable, reliable, and modern transportation system in the world to increase economic strength, improve climate outcomes, and build global competitiveness for the American people. The OIG FY 2022 Top Management Challenges report highlights risks that DOT continues to mitigate in pursuit of its mission in the following nine challenge areas.

Aviation Safety. DOT is taking steps to maintain trust in the Federal Aviation Administration's (FAA) aircraft certification process. Work is underway to implement a comprehensive action plan to address aircraft certification recommendations through rulemaking, policy, staff, data, and external partnership efforts. FAA's oversight function assures the highest level of safety in the National Airspace System (NAS) by verifying that an aviation organization complies with and uses safety-related standards, regulations, and associated procedures. The Safety Assurance System (SAS) is the oversight tool to perform certification, surveillance, and Continued Operational Safety. Using SAS, FAA optimizes safety by identifying hazards, managing the associated risk, and eliminating or controlling associated risks through design and performance oversight. This system also allows aviation safety inspectors to utilize standardized protocols built upon FAA policy and procedure to effectively evaluate certificate holder programs so that they can focus their work on the highest area of risk.

Surface Transportation Safety. The Department's efforts in enhancing surface transportation safety involve increasing compliance with regulations and programs by improving monitoring and enforcement. For example, the Federal Motor Carrier Safety Administration (FMCSA) is working to use research data integration and overall collaboration to identify and promote new policies and practices to improve motor carrier safety. FMCSA will conduct program evaluations to understand the effectiveness of the activities and interventions. Likewise, the Federal Railroad Administration's (FRA) comprehensive strategy merges proven approaches to safety—like inspections and enforcement—with measures that improve safety culture, harness technology, and apply lessons learned to establish benchmarks, develop and adhere to best practices, and implement risk-based collaborative safety management programs. In addition, FRA is conducting focused field surveys in areas with high numbers of trespass fatalities, identifying local root causes and contributing factors, and identifying site/location-specific risk mitigation strategies.

Air Traffic Control and Airspace Modernization. Air Traffic Control and Airspace Modernization have been key focus areas for the Department. Through the Next Generation Air Transportation System (NextGen) program, vast improvements and modernization of the NAS operations are being implemented using advanced technologies. Improvements include replacing voice-only communications with digital communications and shifting from ground-based routes and radar-only surveillance to utilizing satellites to plan routes and obtain near-real-time surveillance. FAA is implementing decision support system automation to replace tactical and reactive air traffic control with strategic integrated air traffic management. These are only a few of the benefits of NextGen that have already been delivered to Airspace Users. The FAA seeks to gain further efficiencies by deploying Performance Based Navigation and Controller Automation Tools that work to manage flight routes and procedures, leading to improved schedule adherence and reduced fuel consumption and engine exhaust emissions.

Surface Transportation Infrastructure. Employing effective oversight of Federal funding and enhancing risk-based oversight to improve project delivery are critical priorities for DOT. DOT maintains strong enterprise risk management (ERM) systems and internal controls so that checks and balances are built into our programs and financial systems. Together these tools ensure an effective control environment so that reliable information is available to assist all levels of the Department in decision-making and project management. Effective stewardship of taxpayer funds helps DOT gain valuable insight that guides future planning. For example, DOT has a centralized approach for managing risks and oversight of COVID-19-related funds/programs. This approach allows DOT to efficiently issue standardized policy, collect data, identify broad issues, and track success, trends, and program outcomes. Operating in a centralized manner and monitoring the lifecycle status of programs (e.g., developing policy, launching materials like funding opportunities or announcements, and monitoring funding already awarded) enable DOT to report on the important "moments that matter" and significant implementation milestones to White House leadership, the Office of Management and Budget, the Pandemic Response Accountability Committee, and DOT's OIG. In addition, DOT implemented a Department-wide internal control toolkit to identify and document new or modified internal controls resulting from the implementation of emergency funding. The information documented in the toolkit directly links to OA's internal control and ERM activities.

Contract and Grant Fund Stewardship. The Department remains committed to promoting effective stewardship of contract and grant funding and ensuring qualified and sufficient oversight of these resources. In support of the Program Management Improvement Accountability Act (PMIAA), the Office of the Senior Procurement Executive requested and received funding in mid-FY 2021 for resources to assist in effective program-level oversight and implementation of PMIAA objectives. These analysts will also help to mature the program and project management discipline within the Department. In addition, the Department will continue to leverage its primary and effective procurement oversight mechanisms—the Acquisition Strategy Review Board and Procurement Management Review program—to ensure effective and compliant management of Federal contract dollars. The Department is also thoroughly engaged in efforts to manage domestic preference and supply chain risk. Through participation in the government-wide Biden-Harris Administration Supply Chain Disruptions Task Force, DOT is addressing congestion at U.S. ports. For example, through its Consolidated Rail Infrastructure and Safety Improvements Grant Program, FRA can help reduce congestion by enhancing multi-modal connections and improving service integration between rail and other modes at port facilities. The Department also established a cross-modal implementation team to address and implement the enhanced Buy America and Buy American requirements required by Executive Order 14005 – *Ensuring the Future Is Made in All of America by All of America's Workers*.

Information Security. The Department places the highest importance on Information Security and is committed to addressing recurring cybersecurity weaknesses and ensuring DOT's IT Infrastructure and Sensitive Information are protected. Work has begun in the Office of the Chief Information Officer (OCIO) to realign and consolidate commodity functions and personnel to reduce the complexity of the control environment and implement best practices to improve coverage and efficiencies in cybersecurity, privacy, and IT operations. The OCIO has also begun investment in new technologies to improve the security of DOT systems and to better protect information and users, including the deployment of advanced analytics and automation that will interface to the Department of Homeland Security/Cybersecurity and Infrastructure Security Agency for improved detection, protection, response, and mitigation capabilities against advanced cybersecurity threats.

Financial Management. In response to the COVID-19 pandemic, DOT and its financial management professionals came together, like no time before, to ensure the agency's mission and financial management objectives were achieved. To assist in recovery, the Department was appropriated new COVID-19 funding in the amounts of $27 billion through the Coronavirus Response and Relief Supplemental Appropriations Act and $43 billion through the American Rescue Plan Act in FY 2021. Through advanced planning and implementation and 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. DOT quickly made funds available to recipients, processed disbursements, and continuously monitored the status of funds to maximize the impact of these much-needed resources. DOT also continued the execution and timely reporting of the $36 billion through the Coronavirus Aid, Relief, and Economic Security Act (CARES). In collaboration with DOT program officials, the finance community utilized a centralized approach for the management of risks and oversight of COVID-19 funds/programs to allow for standardized policy, efficient data collection, identification of issues and trends, and defining outcomes. The team supported all these improvements by ensuring they were implemented on time and that appropriate controls were in place to ensure reliability and auditability. In addition, the Department remains committed to improving the accuracy, reliability, and transparency of spending data and made significant improvements during FY 2021. These efforts include the development and implementation of enhanced guidance and processes to identify and correct potential data quality issues, as well as the implementation of all new reporting requirements resulting from the passage of the CARES Act. These actions also include the implementation of enhanced dashboards to continually review and improve the quality of its award descriptions to increase transparency and ensure the American public is able to assess whether funding is achieving the intended goals and objectives.

Innovation and the Future of Transportation. The Department's determination to support innovation and the future of transportation includes focusing on safely integrating new technologies and participants into transportation systems. The commercial space transportation industry continues to grow rapidly due to increasing human commercial space flight, growth in launches and reentries previously accomplished by government entities, and advances in innovation and technology, such as reusability and automation, that bring costs down. In response, the FAA is implementing a new Space Launch and Reentry Licensing Requirements rule under 14 CFR Part 450 which consolidates multiple launch and reentry rules, simplifies the licensing process, and allows industry innovation through performance-based requirements and flexible means of compliance. The rule was developed with extensive industry and government partner input. It is designed to reduce the regulatory compliance burden, reduce costs, and facilitate more rapid innovation within the commercial space industry while maintaining the same level of public safety. The future of transportation will be further augmented by DOT's activities in support of Executive Orders and other Federal priorities to tackle the impact of climate change, advance equity, and promote resilience in infrastructure and supply chains. For example, the FY 2021 round of DOT's Infrastructure for Rebuilding America (INFRA) discretionary grant program will fund transportation projects of national and regional significance, support economic opportunities for workers, improve safety, apply transformative technology, address climate change, environmental justice, and racial equity. Selection criteria will include evaluating if projects were planned as part of a comprehensive strategy to address climate change and whether they support strategies to reduce greenhouse gas emissions, the extent to which project sponsors have completed equity-focused community outreach, and if projects are designed to improve connections to underserved communities to reduce barriers to opportunity.

Evolving Operations and Workforce Management. As the COVID-19 pandemic continues, DOT remains vigilant in its commitment to employee and Federal contractor employee safety while continuing to accomplish work for the American people. Integrating lessons learned to facilitate workplace reentry is critical in adapting to evolving operations and changes to workforce management. DOT established a COVID-19 Coordination Team responsible for conducting assessments to develop, implement, and monitor compliance with safety protocols for physical space and masking; and determinations of on-site and telework/remote working. This team meets monthly to review compliance with agency COVID-19 workplace safety plans and protocols, consider potential revisions to agency COVID-19 workplace safety plans and protocols, and address pressing operational needs. Furthermore, ensuring complete and consistent communication with employees and Federal contractors on workplace procedures, status, flexibility, and expectations is extremely important to DOT's leadership team to alleviate concerns with reentry and the post-pandemic workplace.

We appreciate the opportunity to respond to the OIG draft report. The incredible dedication exhibited every day by our workforce enables the continuous advancement of DOT's mission of safe and reliable transportation. We appreciate the OIG's partnership in these efforts, and we will continue to work together to identify fraud, waste, abuse, or mismanagement in the Department's programs, activities, or operations. Please contact Madeline M. Chulumovich, Director, Office of Audit Relations and Program Improvement, at (202) 366-6512, 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 2021 IP reviews on OMB's website: https://paymentaccuracy.gov/.

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. Three DOT programs or activities were susceptible to significant improper payments and subject to the FY 2021 PIIA reporting requirements.

- FHWA's Highway Planning and Construction (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.
- FAA's Bipartisan Budget Act of 2018 activity supports hurricane relief efforts in Puerto Rico, the United States Virgin Islands, Florida, and Texas and nationwide coronavirus mitigation efforts. The Coronavirus Aid, Relief and Economic Security (CARES) Act provided agencies with the discretion to use any available funds appropriated under the CARES Act or other laws to keep their employees or subcontractors in a ready state.
- FTA's Bipartisan Budget Act of 2018 activity supports hurricane relief efforts in Puerto Rico, the United States Virgin Islands, Florida, and Texas.

The FY 2021 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid along with reduction targets.

FY 2021 Payment Accuracy Results

($ in millions)

PROGRAM OR ACTIVITY	Outlays	Estimated Proper Payment Amount	Proper Payment Rate	Estimated Improper Payment Amount	Improper Payment Rate
FHWA HPC(1)	$ 49,471.971	$ 48,775.305	98.59%	$ 696.666	1.41%
FAA Bipartisan Budget Act(1)	$ 17.847	$ 17.844	99.98%	$ 0.003	0.02%
FTA Bipartisan Budget Act(2)	$ 16.620	$ 16.619	99.99%	$ 0.001	0.01%

[1] For FY 2021 testing, the program or activity reviewed payments made from October 1, 2019 to September 30, 2020.
[2] For FY 2021 testing, the program or activity reviewed payments made from September 1, 2018 to September 30, 2020.

In addition to estimating IPs, the Department performed 4 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 2021 IP reviews is located on OMB's website: https://paymentaccuracy.gov/.

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	2021	$ 97,014	Great Lakes Saint Lawrence Seaway Development Corporation (GLS)	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes	2003	2021	$ 35,188	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	2021	$ 1,548	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	2021	$ 14,074	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	2021	$ 7,037	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	2021	$ 3,519	OST	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2021	$ 919	Federal Railroad Administration (FRA)	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	Ordinary maximum rail safety penalty	2008	2021	$ 30,058	FRA	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2021	$ 120,231	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2021	$ 508	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2021	$ 84,425	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2021	$ 196,992	FRA	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2021	$ 1,125	Federal Motor Carrier Safety Administration (FMCSA)	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2021	$ 11,256	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	2021	$ 1,951	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	2021	$ 19,505	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	2021	$ 1,951	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	2021	$ 19,505	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	2021	$ 975	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	2021	$ 28,142	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	2021	$ 24,730	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	2021	$ 15,876	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 24,730	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2021	$ 1,302	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2021	$ 13,072	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2021	$ 13,072	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2021	$ 15,876	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2021	$ 3,969	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	2021	$ 3,268	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	2021	$ 6,536	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2021	$ 5,902	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	2021	$ 3,268	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	2021	$ 6,536	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	2021	$ 5,902	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	2021	$ 32,679	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	2021	$ 16,941	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2021	$ 17,416	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 84,425	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	2021	$ 508	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	2021	$ 84,425	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	2021	$ 84,425	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	2021	$ 84,425	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	2021	$ 196,992	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	2021	$ 28,142	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	2021	$ 84,425	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	2021	$ 196,992	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(1): Violations of the commercial regulations (CR) (property carriers)	2012	2021	$ 11,256	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2021	$ 11,256	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 28,142	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	2021	$ 11,256	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the operating authority requirement (foreign motor carriers, foreign motor private carriers)—maximum penalty for intentional violation[1]	1999	2021	$ 15,480	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the operating authority requirement (foreign motor carriers, foreign motor private carriers)—maximum penalty for a pattern of intentional violations	1999	2021	$ 38,702	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	2021	$ 22,514	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	2021	$ 45,027	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	2021	$ 1,693	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	2021	$ 3,389	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	2021	$ 8,471	FMCSA	https://www.federalregister.gov/
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2021	$ 169,412	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—first violation	1995	2021	$ 338	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—subsequent violations	1995	2021	$ 423	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	2021	$ 848	FMCSA	https://www.federalregister.gov/

[1] Section (g)(5) was revised in the 2020 adjustment final rule to reflect the termination of the North American Free Trade Agreement (NAFTA) and the adoption of the United States Mexico Canada Agreement (USMCA). See 86 FR 1745, 1748, n.6 (Jan. 11, 2021).

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 3,389	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	2021	$ 848	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	2021	$ 3,389	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14905	Appendix B (g)(14): Violations related to loading and unloading motor vehicles	1995	2021	$ 16,941	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	2021	$ 1,125	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	2021	$ 8,471	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14908	Appendix B (g)(17): Unauthorized disclosure of information	1995	2021	$ 3,389	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	2021	$ 848	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	2021	$ 16,941	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	2021	$ 13,072	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 (d)(3)	Appendix B (g)(23): HHG transportation or broker services—registration requirement	2005	2021	$ 32,679	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	2021	$ 1,307	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	2021	$ 13,072	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	2021	$ 2,252	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	2021	$ 5,628	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 2,813	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	2021	$ 8,433	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	2021	$ 2,252	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	2021	$ 5,628	FMCSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2021	$ 225,134	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	2021	$ 2,251,334	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(2)	Maximum additional penalty for each liquefied natural gas pipeline facility violation.	1996	2021	$ 82,245	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2021	$ 1,307	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for hazardous materials violation	2012	2021	$ 84,425	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	2021	$ 196,992	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2021	$ 508	PHMSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for each violation of: 49 U.S.C. 30112, 30115, 30117–30122, 30123(a), 30125(c), 30127, 30141–30147, 30166 or 31137, or a regulation prescribed under any of these sections	2016	2021	$ 22,992	National Highway Traffic Safety Administration (NHTSA)	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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)(1), 30165(a)(3)	Maximum penalty amount for a related series of violations of: 49 U.S.C. 30112, 30115, 30117–30122, 30123(a), 30125(c), 30127, 30141–30147, 30166 or 31137, or a regulation prescribed under any of these sections	2016	2021	$ 114,954,525	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(2)(A)	Maximum penalty per school bus related violation of 49 U.S.C. 30112(a)(1) or 30112(a)(2)	2005	2021	$ 13,072	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 49 U.S.C. 30112(a)(1) or 30112(a)(2)	2005	2021	$ 19,607,465	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(4)	Maximum penalty per violation for filing false or misleading reports	2012	2021	$ 5,628	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	2021	$ 1,125,668	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	2021	$ 1,835	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32507(a)	Maximum penalty amount for each violation of a bumper standard under 49 U.S.C. 32506	1972	2021	$ 3,011	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32507(a)	Maximum penalty amount for a series of violations of a bumper standard under 49 U.S.C. 32506	1972	2021	$ 3,352,932	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	2021	$ 3,011	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	2021	$ 1,642,208	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	2021	$ 62,314	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32309	Maximum civil penalty for willfully failing to affix, or failing to maintain, the label required in 49 U.S.C. 32304	1992	2021	$ 1,835	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2021	$ 11,256	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	2021	$ 1,125,668	NHTSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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. 32710	Maximum penalty amount per violation related to odometer tampering and disclosure with intent to defraud	2012	2021	$ 11,256	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(a)	Maximum penalty amount for each violation of 49 U.S.C. 33114(a)(1)–(4)	1984	2021	$ 2,473	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(a)	Maximum penalty amount for a related series of violations of 49 U.S.C. 33114(a)(1)–(4)	1984	2021	$ 618,201	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(b)	Maximum civil penalty for violations of 49 U.S.C. 33114(a)(5)	1992	2021	$ 183,629	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	2021	$ 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	2021	$ 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	2021	$ 21,662	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	2021	$ 54,157	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	2021	$ 21,761	MARAD	https://www.federalregister.gov/
46 U.S.C. 50113(b)	Maximum civil penalty for failure to file an AMVER report	1956	2021	$ 137	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	2021	$ 27,371	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	2021	$ 158,772	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	2021	$ 25,742	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	2021	$ 26,929	FAA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 35,188	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	2021	$ 1,548	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	2021	$ 1,548	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	2021	$ 14,074	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	2021	$ 14,074	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	2021	$ 14,074	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	2021	$ 14,074	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	2021	$ 14,074	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2021	$ 4,518	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	2021	$ 24,539	FAA	https://www.federalregister.gov/
49 U.S.C. 46318	Interference with cabin or flight crew	2000	2021	$ 36,948	FAA	https://www.federalregister.gov/
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2021	$ 14,074	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	2021	$ 21,544	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	2021	$ 247,280	FAA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment For Inflation *(cont.)*

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	2021	$ 84,425	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	2021	$ 196,992	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	2021	$ 508	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	2021	$ 84,425	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, 2021. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2021.

Category	Age of Expiration		
	2-3 Years— FY 2018-19	> 3-5 Years—FYs 2017-18	> 5 Years—Before FY 2016
Number of Grants/Cooperative Agreements with Zero Dollar Balances	911	1,055	2,025
Number of Grants/Cooperative Agreements with Undisbursed Balances	918	742	330
Total Dollar Amount of Undisbursed Balances	$ 74,477	$ 47,249	$ 8,549

DOT has made significant progress in closing out grant awards in FY2021. Specific actions taken to improve closeouts include updating systems to include a field for Project Agreement End Date (PAED) for tracking delays in closing awards, applying a risk-based approach for projects that have been completed for several years but lack final acceptance documentation, and leveraging inactive obligation review requirements to emphasize a proactive approach to project funds management and timely project closeout.

Although DOT made progress over the past year, it also experienced some challenges preventing close out of awards. These challenges include: turnover within DOT Grants Management Offices over the last year, untimely submission of grant recipient's closeout documentation, closeout of long-term Highway construction projects that require completion of a number of activities prior to closeout, and a grant system change was implemented that negatively impacted the closeout process, to include the time required to close awards (i.e. manual process).

DOT will continue to monitor grants to ensure that recipients are providing closeout documentation in a timely manner. DOT will also continue to update processes and guidance as necessary; identify best practices in project closeout; and partner with State departments of transportation, other awardees/recipients, and organizations, such as the American Association of State Highway and Transportation Officials (AASHTO), to determine opportunities for streamlining and accelerating grant and cooperative agreement closeout.

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
APG	Agency Priority Goals
APR	Annual Performance Report
ARPA	American Rescue Plan Act of 2021
ARRA	American Recovery and Reinvestment Act of 2009
AV TEST	Automated Vehicle Transparency and Engagement for Safe Testing
B	
BRRP	Bridge Replacement and Rehabilitation Program
C	
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDL	Commercial Driver License
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CHBP	Competitive Highway Bridge Program
CIP	Construction-in-progress
CMMS	Computerized Maintenance Management System
COVID-19	Coronavirus Disease 2019
CR	Continuing Resolution
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act of 2021
CSRS	Civil Service Retirement System
CY	Calendar Year
D	
DATA Act	Digital Accountability and Transparency Act of 2014
DHS	Department of Homeland Security
DLRW	Dynamic Launch/Reentry Window
DM&R	Deferred Maintenance and Repairs

ACRONYMS *(cont.)*

D *(cont.)*

DoD	Department of Defense
DOL	Department of Labor
DOT	Department of Transportation

E

EO	Executive Order
ERM	Enterprise Risk Management
ERP	Emergency Relief Program
ESC	Enterprise Services Center

F

FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST Act	Fixing America's Surface Transportation Act of 2015
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

ACRONYMS *(cont.)*

G	
GAAP	Generally Accepted Accounting Principles
GAJSC	General Aviation Joint Steering Committee
GLS	Great Lakes Saint Lawrence Seaway Development Corporation
GPS	Global Positioning System
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol
H	
HPC	Highway Planning and Construction
HTF	Highway Trust Fund
I	
IGT	Intragovernmental Agreements
IP	Improper Payment
IPERA	Improper Payments Elimination and Recovery Act
IPT	Integrated Project Team
IRS	Internal Revenue Service
IT	Information Technology
M	
MARAD	Maritime Administration
MBRC	Minority Business Resource Center
N	
NAS	National Airspace System
NDRF	National Defense Reserve Fleet
NETT	Non-Traditional and Emerging Transportation Technology
NHS	National Highway System
NHTSA	National Highway Traffic Safety Administration
NIST	National Institute of Standards and Technology
NPIAS	National Plan of Integrated Airport Systems
NRC	Nuclear Regulatory Commission
NSMV	National Security Multi-Mission Vessels

ACRONYMS *(cont.)*

O

OA	Operating Administration
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OST	Office of the Secretary
OTA	Office of Tax Analysis

P

PBN	Performance-Based Navigation
PCB	Polychlorinated Biphenyls
PHMSA	Pipeline and Hazardous Materials Safety Administration
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
PMIAA	Program Management Improvement Accountability Act
PMO	Project Management Office
POA&M	Plan of Actions and Milestones
PP&E	Property, Plant and Equipment

R

RRF	Ready Reserve Force
RRIF	Railroad Rehabilitation and Improvement Financing
RSI	Required Supplementary Information
RSIA	Rail Safety Improvement Act of 2008

S

SAS	Safety Assurance System
SFFAS	Statement of Federal Financial Accounting Standards
SMS	Safety Management System
SNC	Statement of Net Cost
SSAE	Statement on Standards for Attestation Engagements
STB	Surface Transportation Board

ACRONYMS *(cont.)*

T

TAS	Treasury Account Symbol
TBLP	Time-Based Launch/Reentry Procedures
TFDM	Terminal Flight Data Manager
TIFIA	Transportation Infrastructure Finance and Innovation Act
TSAS	Terminal Sequencing and Spacing

U

UAS	Unmanned Aircraft Systems
U.S.C.	United States Code
USMMA	United States Merchant Marine Academy
USSGL	United States Standard General Ledger

V

VMT	Vehicle Miles Traveled