U.S. Department of Transportation

FISCAL YEAR

2022

AGENCY FINANCIAL REPORT

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FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2022 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 2022 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; management and performance challenges; and climate-related risk. A high-level summary of FY 2022 performance information is found on page 9 of the AFR.

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

The Other Information section provides Payment Integrity Information Act of 2019 reporting details and other statutory reporting requirements, including the Summary of Financial Statement Audit and Management Assurances; the Inspector General's FY 2023 Top Management Challenges; Civil Monetary Penalty Adjustments for Inflation; Grants Programs; Climate-Related Financial Risk; and Audit Resolution Report Summary and Table.

Annual Performance Report (APR)

The FY 2022 APR will be produced in conjunction with the FY 2024 Annual Performance Plan and FY 2024 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.

These reports satisfy the reporting requirements of the following major legislation:

- Reports Consolidation Act of 2000;
- Government Performance and Results Act of 1993;
- Chief Financial Officers Act of 1990 (CFO Act);
- Government Management Reform Act of 1994;
- Federal Managers' Financial Integrity Act of 1982 (FMFIA);
- Federal Financial Management Improvement Act of 1996 (FFMIA); and
- Payment Integrity Information Act of 2019 (PIIA).

The AFR and APR 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 (DOT) Fiscal Year (FY) 2022 Agency Financial Report (AFR). The AFR is our principal report to convey our commitment to sound financial management to the President, Congress, and the American people. It demonstrates our proper stewardship of public funds, and the delivery of quality data and information on the U.S. Department of Transportation's fiscal operations.

As a country, we face enormous challenges. We are emerging from a global pandemic, grappling with systemic inequality, fighting to reverse rising traffic deaths, working to repair overwhelmed supply chains, and confronting an existential global climate crisis.

To meet these challenges, we need to build new economic strength, transform our transportation infrastructure, and ensure that all Americans can get where they need to go safely. Alongside our core, ongoing missions to advance safety and good public policy, President Biden has tasked the Department with carrying out transformative investments in his Bipartisan Infrastructure Law—also known as the Infrastructure Investment and Jobs Act. That law contains unprecedented resources to modernize our infrastructure and deliver safer, cleaner, more equitable transportation systems that will endure for generations.

The mission of DOT is to deliver the world's leading transportation system—serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods. To achieve that mission, our strategy is built on the following pillars: safety; economic strength and global competitiveness; equity; climate and sustainability; transformation; and organizational excellence.

We are actively working towards each of those goals.

Safety. At DOT, our approach to safety is multimodal—encompassing rail, maritime operations, pipelines, aviation, and roadway crashes. Our goals are to protect urban and rural communities and travelers; improve the health and safety of transportation workers and first responders; design and build safe transportation systems and infrastructure; make informed, data-driven decisions; embrace comprehensive strategies like the Safe System approach and safety management systems for all modes; and protect transportation systems from physical and cyber threats.

Economic Strength and Global Competitiveness. Modernizing our transportation system is an essential part of how this administration is creating jobs and growing an inclusive, sustainable economy. Through transformative investments in our nation's infrastructure—from roads and bridges, to ports and airports, to rail and transit—we are improving U.S. global competitiveness, driving economic growth, increasing access to opportunity, and creating a new generation of good-paying jobs. The Bipartisan Infrastructure Law has given us a once-in-generations chance to repair and modernize our transportation infrastructure –while simultaneously ensuring our continued economic growth and improving our quality of life.

Accountability and Financial Stewardship. The Department has a strong history of responsibly handling taxpayer dollars. We prioritize effectiveness and efficiency to maximize the benefits for the American public. As a result, we have continuously been able to provide world-class financial management and oversight of Departmental funds. As we continue working to implement the Bipartisan Infrastructure Law, we will also continue to focus on advanced planning, and improvements to our financial processes, systems and control environment to capitalize on this opportunity. DOT is also committed to maintaining a best-in-class financial management environment, with strong internal controls to ensure we are awarding, managing, and reporting on financial management activities accurately.

OVERVIEW OF THE FY 2022 FINANCIAL RESULTS

I am pleased to share that for the 16th consecutive year, we have 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.

MESSAGE FROM THE SECRETARY *(CONT.)*

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

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

None of these accomplishments would be possible without the incredible dedication and perseverance of our workforce. Their hard work has continually advanced DOT's mission on behalf of the American people. It is an honor to work alongside these remarkable public servants to deliver for all Americans.

Sincerely,

Pete Buttigieg

MANAGEMENT'S DISCUSSION AND ANALYSIS

DOT Mission

The Department's mission is to deliver the world's leading transportation system, serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods.

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 DOT 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.

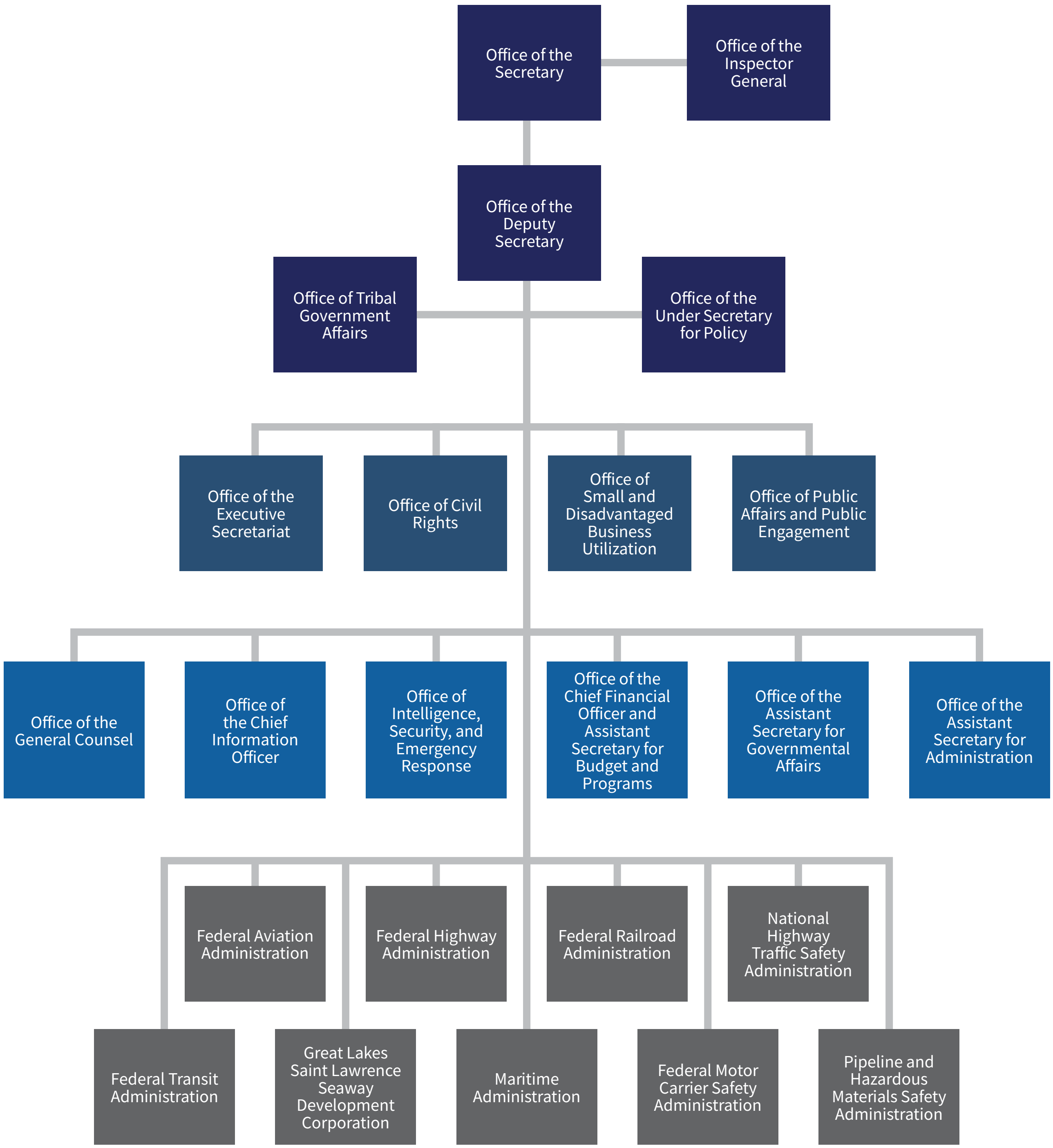
Organization

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

DOT employs more than 54,100 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



Operating Administrations and Independent Organizations

Office of the Secretary (OST)

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

Office of the Inspector General (OIG)

The Office of the Inspector General enhances DOT's programs and operations by conducting objective investigations and audits on behalf of the American public.

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 America's Communities through Public Transportation.

Great Lakes St. 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.

Performance Summary and Highlights

The mission of DOT is to deliver the world's leading transportation system, serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods. To achieve this mission, the Department is guided by strategic goals that are updated every four years, which are outcome-oriented, long-term goals for the major functions and operations of DOT. The FY 2022 – 2026 Strategic Plan includes six strategic goals: Safety, Economic Strength and Global Competitiveness, Equity, Climate and Sustainability, Transformation, and Organizational Excellence. Many of the strategic objectives under these strategic goals support the transformational initiatives made possible by the Bipartisan Infrastructure Law (BIL) enacted in November 2021.

STRATEGIC GOAL 1: SAFETY

Make our transportation system safer for all people. Advance a future without transportation-related serious injuries and fatalities.

Protecting urban and rural communities and travelers, including vulnerable populations, from health and safety risks is one of the Department's top priorities. In January 2022, the Department released the National Roadway Safety Strategy (NRSS), providing concrete steps to systematically address the national crisis of roadway fatalities and serious injuries. To improve the safety of transportation workers, FHWA hosted workshops, webinars, and peer exchanges to promote commercial motor vehicle safety in work zones; FAA increased efforts to provide information to passengers and shippers on how to safely transport dangerous goods; and FRA focused on railroad certification, training, and qualification standards to decrease the employee on-duty injury and illness rate. For safety design, FHWA provided significant funding to States through the data-driven Highway Safety Improvement Program; NHTSA developed a 10-year roadmap for its New Car Assessment Program, the government's premier program for evaluating vehicle safety; and FRA selected projects that will improve nearly 400 grade crossings under the FY 2021 Consolidated Rail Infrastructure and Safety Improvements program. FMCSA focused on increasing highly visible commercial motor vehicle traffic enforcement against risky driver behavior in high-crash locations and increasing investigations on carriers demonstrating the riskiest behaviors. The Office of Intelligence, Security, and Emergency Response developed a tool to track date and time stamps for critical infrastructure cybersecurity-related messages received and then relayed to stakeholders each quarter.

STRATEGIC GOAL 2: ECONOMIC STRENGTH AND GLOBAL COMPETITIVENESS

Grow an inclusive and sustainable economy. Invest in our transportation system to provide American workers and businesses reliable and efficient access to resources, markets, and good-paying jobs.

The Department made significant investments in restoring and modernizing core assets to improve the state of good repair, enhance resiliency, and expand beneficial new projects that support job creation and fiscal health. A number of OAs contributed to this objective in FY 2022:

- The Department launched the Freight Logistics Optimization Works in March 2022, a first-of-its-kind digital tool that gives companies information on the condition of a node or region in the supply chain so that goods can be moved more quickly and cheaply.
- FAA exceeded its targets for paved runways in excellent, good, or fair condition and for completing airport modernization and safety infrastructure projects, including completion of terminals and new or rehabilitated pavement projects.
- FHWA issued implementation guidance for the National Highway Performance Program (NHPP) and the Surface Transportation Block Grant (STBG) program and provided information, tools, and guidance to States for optimizing investments in system capacity and deploying operational strategies to address freight congestion and reliability.

Performance Summary and Highlights *(CONT.)*

- FRA worked with all stakeholders to identify and assess actions needed to successfully achieve the goals of BIL. Close collaboration with Amtrak and the Northeast Corridor Commission has been instrumental in identifying infrastructure investments necessary to bring rail infrastructure back to a state of good repair.
- FTA continued to make progress on reducing the state of good repair backlog for both transit revenue vehicles and transit buildings and facilities. The Agency also provided resources, learning opportunities, technical assistance, and funding for the repair or replacement of assets from numerous grant programs.
- PHMSA began implementing a new BIL program to repair or replace identified high-risk, leak-prone, and community-owned legacy gas distribution pipeline infrastructure.
- DOT's Office of International Aviation met its goals for increasing the number of new and modernized air transport agreements and increasing its participation in international aviation policy meetings despite challenges presented by geopolitical events, such as Russia's further invasion of Ukraine and lingering effects of the Coronavirus Disease 2019 (COVID-19) pandemic.
- MARAD stood up the Cable Security Fleet Program, which provides the nation with assured access to a fleet of internationally sailing cable repair ships and brought two new cable repair ships into the U.S. flag fleet.
- GLS inspected all foreign-flag vessels transiting the St. Lawrence Seaway for safety and environmental compliance and completed preventative maintenance of GLS infrastructure.

STRATEGIC GOAL 3: EQUITY

Reduce inequities across our transportation systems and the communities they affect. Support and engage people and communities to promote safe, affordable, accessible, and multimodal access to opportunities and services while reducing transportation-related disparities, adverse community impacts, and health effects.

The Department can expand affordable access to transportation jobs and business opportunities by removing barriers for individuals, businesses, and communities. One such barrier is transportation cost burden, a complex concept that is challenging to represent and analyze. The Office of the Assistant Secretary for Transportation Policy (OST-P) is developing a pilot transportation cost burden measure to better understand this major category of household expense. The Department also took steps to mitigate the effects of structural obstacles to building wealth in traditionally underserved communities, including providing more opportunities for disadvantaged business enterprises (DBE), women-owned small businesses, and minority-owned businesses to engage with DOT. As a result of these efforts, the Department is on track to meets its FY 2022 Small Disadvantaged Business goal of 20 percent. Additional activities in FY 2022 included developing Justice40-related legislative recommendations to institutionalize equity across DOT policies, programs, and decision-making processes and conducting stakeholder outreach to gauge the level of equity being incorporated into transportation planning by State DOTs and metropolitan planning organizations.

Performance Summary and Highlights *(CONT.)*

STRATEGIC GOAL 4: CLIMATE AND SUSTAINABILITY

Tackle the climate crisis by ensuring that transportation plays a central role in the solution. Substantially reduce greenhouse gas emissions and transportation-related pollution and build more resilient and sustainable transportation systems to benefit and protect communities.

The Department plays a vital role in reducing greenhouse gas (GHG) emissions from transportation. In FY 2022, in support of GHG reduction, OAs worked in concert with the DOT Climate Change Center to identify strategies by mode for reducing emissions in alignment with the mid-level transportation decarbonization blueprint drafted by DOT and other Federal agencies. The Department developed a Climate Action Plan that identifies five priorities around reducing climate vulnerabilities, covering grant and loan programs, project planning and development, DOT facilities and operational assets, services and supplies, and education and research. The Department also began efforts to support Executive Order 14008 and Justice40, a government-wide initiative that aims to deliver at least 40 percent of the overall benefits of climate-related federal investments to disadvantaged communities. As part of these efforts, OAs began including Justice40 language in Notices of Funding Opportunities (NOFOs) and formula guidance in prospective covered programs.

STRATEGIC GOAL 5: TRANSFORMATION

Design for the future. Invest in purpose-driven research and innovation to meet the challenges of the present and modernize a transportation system of the future that serves everyone today and in the decades to come.

The Office of the Assistant Secretary for Research and Technology (OST-R) spearheaded efforts to foster breakthrough discoveries and experimentation, work with diverse stakeholders to accelerate the adoption of new technologies, and encourage flexibility and adaptability in the design and implementation of transportation system investments. In FY 2022, OST-R continued to build a research abstract database and used data science techniques for the Department's research portfolio to avoid duplication and to identify collaborative synergies between OAs. The Department also made efforts to provide new resources and guidance to its stakeholders around innovation and emerging technologies, including releasing a set of Innovation Principles to guide internal research efforts and establishing a Smart Community Resource Center with information on intelligent transportation systems for State, local, and Tribal governments. Finally, the Department continued work to make its datasets around transportation planning more accessible to support better research and provide long-term benefits to the public.

Performance Summary and Highlights *(CONT.)*

STRATEGIC GOAL 6: ORGANIZATIONAL EXCELLENCE

Strengthen our world-class organization. Advance the Department's mission by establishing policies, processes, and an inclusive and innovative culture to effectively serve communities and responsibly steward the public's resources.

In support of this goal, the Department made strides to continue delivering responsive, efficient, and accessible government services to its customers and further develop its high-performing workforce. The Department issued a Diversity, Equity, Inclusion, and Accessibility Strategic Plan that focuses on five areas related to workforce development: recruitment, outreach and hiring; leadership and professional development; retention and workplace culture; and accountability. Several OAs also undertook initiatives on this front, implementing targeted hiring initiatives for persons with disabilities, partnering with Historically Black Colleges and Universities, and offering Diversity Hiring and Unconscious Bias trainings for supervisors and managers. The Department also made improvements to program delivery and management through effective planning, administration, and oversights of grants; increased technical assistance to stakeholders; and enhanced analytics and performance management services. Another area of progress under this goal included sustainability initiatives: the Department reduced energy use at its facilities through the use of carbon pollution-free electricity, purchased more than $1.2 billion in environmentally friendly goods and services, and diverted more than half of its non-hazardous municipal solid waste from landfills. Finally, the Department continued to develop and manage data systems and tools to support decision-making, transparency, and accountability and continued efforts to implement category management, increase program payment accuracy, and improve the quality of its spending information and reporting.

Performance Summary and Highlights *(CONT.)*

Agency Priority Goals

Agency Priority Goals (APGs) provide agencies with mechanisms to focus leadership priorities, set outcomes, and measure results. These include goals that can be achieved within about 24 months and depend predominantly on agency implementation. The Department has five APGs spanning FY 2022 through FY 2023, which reflect the Biden-Harris Administration's emphasis on climate and equity, the Department's continued commitment to maintaining the safest transportation system in the world, and the historic investments in transportation infrastructure from BIL.

These APGs include the following:

1. Reduce Roadway-Related Fatalities;
2. Increase Aviation Safety for the Flying Public;
3. Improve the Condition/Performance of Federally Funded Portions of the Nation's Transportation System;
4. Increase Wealth Creation Opportunities for Underserved Communities; and
5. Joint DOT/U.S. Department of Energy (DOE) Electric Vehicle (EV) Charging Infrastructure Deployment Under BIL.

APG 1: REDUCE ROADWAY-RELATED FATALITIES

By September 30, 2023, the Department will reduce the rate of motor vehicle fatalities from 1.36 per 100 million vehicle miles traveled (VMT) as of October 1, 2021, to 1.22 per 100 million VMT.

The following performance goal is used to track progress against this APG:

By September 30, 2023, the Department Will Reduce the Rate of Motor Vehicle Fatalities from 1.36 per 100 Million VMT as of October 1, 2021, to No More Than 1.22 per 100 Million VMT

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Target	1.02	1.02	1.02	1.01	1.01	1.25	1.22	1.22
Actual	1.17	1.14	1.10	1.37	1.33	TBD*	TBD	TBD

** This is a lagging indicator; therefore, the FY 2022 actual will not be available in time for publication of the AFR.*

APG 2: INCREASE AVIATION SAFETY FOR THE FLYING PUBLIC

By September 30, 2023, FAA's range of programs will contribute to the commercial air carrier fatality rate remaining below the target of 4.9 fatalities per 100 million persons on board and contribute to the number of general aviation fatal accidents remaining at no more than 0.94 fatal accidents per 100,000 flight hours.

The following performance goals are used to track progress against this APG:

By September 30, 2023, FAA's Range of Programs Will Contribute to the Commercial Air Carrier Fatality Rate Remaining Below the Target of 4.9 Fatalities per 100 Million Persons on Board

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Target	6.40	6.20	5.90	5.70	5.40	5.20	4.90	4.70
Actual	0.30	0.10	0.50	0.60	0.00	1.40	TBD	TBD

Data as of September 30, 2022

Performance Summary and Highlights *(CONT.)*

By September 30, 2023, FAA's Range of Programs Will Contribute to Reducing General Aviation Fatal Accidents to No More Than 0.94 Fatal Accidents per 100,000 Flight Hours

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Target	1.01	1.00	0.98	0.97	0.96	0.95	0.94	0.93
Actual	0.83	0.89	0.95	0.91	0.74	0.86	TBD	TBD

Data as of September 30, 2022

APG 3: IMPROVE THE CONDITION/PERFORMANCE OF FEDERALLY FUNDED PORTIONS OF THE NATION'S TRANSPORTATION SYSTEMS

By September 30, 2023, the percentage of Interstate Pavement in either good or fair condition will be maintained at 95 percent; the percentage of deck area on National Highway System (NHS) bridges in either good or fair condition will be maintained at or above 95 percent; the percentage of person-miles traveled on the Interstate that are reliable will be at or above 82.8 percent; and the percentage of paved runways in the National Plan of Integrated Airport Systems in excellent, good, or fair condition will be maintained at 93 percent.

The following performance goals are used to track progress against this APG:

The Percent of Paved Runways in the National Plan of Integrated Airport Systems in Excellent, Good, or Fair Condition will be Maintained at 93%

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Target	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%
Actual	98.0%	98.0%	97.9%	97.9%	97.8%	97.6%	TBD	TBD

Data as of June 30, 2022

The Percentage of Interstate Pavement in Either Good or Fair Condition will be Maintained at 95%

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Target	N/A	95.5%	95.0%	95.0%	95.0%	95.0%
Actual	N/A	99.1%	99.2%	99.2%	TBD	TBD

Data as of June 15, 2022

The Percentage of Person-Miles Traveled on the Interstate that are Reliable Will be At or Above 82.8%

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Target	83.7%	83.1%	82.8%	82.8%	82.8%	82.8%
Actual	83.4%	83.8%	93.9%	89.2%	TBD	TBD

Data as of June 15, 2022 | CY = calendar year

The Percentage of Deck Area on NHS Bridges in Either Good or Fair Condition Will be Maintained at or Above 95%

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Target	N/A	95.5%	95%	95%	95%	95%
Actual	95.4%	95.7%	95.8%	95.8%	TBD	TBD

Performance Summary and Highlights *(CONT.)*

APG 4: INCREASE WEALTH CREATION OPPORTUNITIES FOR UNDERSERVED COMMUNITIES

By September 30, 2023, DOT commits to raise small, disadvantaged business utilization contract award dollars from 18.2 percent in FY 2021 to 20.5 percent. In doing so, DOT aims to increase wealth creation opportunities for underserved communities through direct procurement mechanisms.

The following performance goal is used to track progress against this APG:

Increase DOT Direct Contract Dollars to Small Disadvantaged Businesses from 18.2% in FY 2021 to 22% by FY 2026

	FY 2021	FY 2022	FY 2023	FY 2024
Target	N/A	20.0%	20.5%	21.0%
Actual	18.2%	21.19%	TBD	TBD

Data as of September 30, 2022

APG 5: JOINT U.S. DOT/DOE ELECTRIC VEHICLE CHARGING INFRASTRUCTURE DEPLOYMENT UNDER BIL

The BIL invests in the deployment of a national network of EV chargers as one of many important ways to address the climate crisis across DOT, DOE, and their newly formed Joint Office of Energy and Transportation. All three entities will support building a national network of EV chargers. This is a new APG that supports the President's BIL goal of installing 500,000 EV chargers. By September 30, 2023, the Joint Office of Energy and Transportation in conjunction with DOT and DOE will complete the following critical building blocks needed for the deployment of EV charging infrastructure by:

- Issuing a set of minimum standards and requirements for all EV chargers deployed under the BIL programs to ensure an affordable, reliable, accessible, and equitable EV charging network;
- Facilitating the development and approval of State, Puerto Rico, and District of Columbia EV charging plans to establish a cohesive national EV charging network that covers all Interstates and designated highway corridors;
- Distributing formula funds "National EV Infrastructure Formula Program" and awarding competitive grants under the Discretionary Grant Program for Charging and Fueling Infrastructure to eligible entities following the timeline specified in the BIL;
- Launching a Federal EV Advisory Committee; and
- Offering technical assistance to school districts and transit operators deploying electric school and transit buses under BIL programs.

The following performance goal is used to track progress against this APG:

Build a National Network of 500,000 EV Chargers by 2030 to Accelerate the Adoption of EVs

	FY 2022	FY 2023	FY 2024
Milestones	Approve 52 State EV Infrastructure Deployment Plans	Based on review of State Deployment Plans, future targets will be identified to reduce the number of corridors that are not fully built out	Continue to assess how best to build out the national network, based on state plans and review of data

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.

The Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF), receive nonexchange funding support from the dedicated collection of excise taxes and receive their budget authority in the form of contract authority and direct appropriations.

On October 5, 2018, former President Trump signed the FAA Reauthorization Act of 2018 (Public Law (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, provides the vast majority of funding for Surface Transportation Programs. 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. President Biden signed the Surface Transportation Extension Act of 2021 on October 2, 2021, and again on October 31, 2021. In doing so, President Biden extended the HTF authorizations and related revenue authorities through October 31, 2021, and then through December 3, 2021. P.L. 117-58, also known as BIL or Infrastructure Investment and Jobs Act (IIJA) and referenced in the below paragraph, provides funding for surface transportation through September 30th, 2026. P.L. 117-58 also appropriated $118 billion in cash transfers from the General Fund of the U.S. Government to the HTF in FY 2022. During FY 2022, the Department continued to spend down authority received from the FAST Act.

The IIJA, also known as the BIL was signed into law on November 15, 2021 (P.L. 117-58), providing $383.3 billion in funding over a 5-year period for highway construction, infrastructure, research and development, safety, and transit programs. In addition to these amounts, Division J of P.L. 117-58 also provides $184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA/BIL also authorized an additional $93.5 billion for future appropriations.

The Department continued to execute on COVID funding received in FY's 2020 and 2021. This included 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. There were no additional COVID funds received in FY 2022.

Financial Highlights *(CONT.)*

Overview of Financial Position

ASSETS

The Department's Consolidated Balance Sheets report total assets of $301.1 billion at the end of FY 2022, compared with $176.8 billion at the end of FY 2021. The Fund Balance with Treasury line item increased by $13.6 billion, this was primarily the result of additional funds received through IIJA in FY 2022. Investments increased by $110.5 billion due to increases in the Highway and Mass Transit Accounts in the HTF of $87 billion and $28 billion, respectively, that resulted from the transfer of funds from the U.S. General Fund to the HTF as directed by P.L. 117-58. These increases were offset by a $4.9 billion decrease due to overall expenditures exceeding excise tax collections.

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

ASSETS BY TYPE (DOLLARS IN THOUSANDS)

Line Item	2022	%	2021	%
Fund Balance with Treasury	127,914,274	42.5	114,363,099	64.7
Investments	140,810,090	46.7	30,264,917	17.1
Loans Receivable, Net	16,265,614	5.4	15,245,491	8.6
General Property, Plant and Equipment	12,873,847	4.3	12,711,237	7.2
Inventory and Related Property, Net	1,073,843	0.4	1,037,990	0.6
Accounts Receivable	225,936	0.1	193,664	0.1
Advances and Prepayments	1,952,182	0.6	3,000,743	1.7
Total Assets	301,115,786	100	176,817,141	100

LIABILITIES

The Department's Consolidated Balance Sheets report total liabilities of $38.2 billion at the end of FY 2022, as summarized in the table below. This number represents a $0.9 billion increase from the previous year's total liabilities of $37.3 billion. The Debt line increased by $1.4 billion. This was mainly due to increased borrowings from Treasury for newly issued loans in FY 2022 exceeding debt principal repayments and an overall decrease in repayments in FY 2022 from borrowers to repay existing debt.

LIABILITIES BY TYPE (DOLLARS IN THOUSANDS)

Line Item	2022	%	2021	%
Debt	16,415,203	43.0	15,065,013	40.4
Accrued Grant Liabilities	15,398,805	40.3	16,091,015	43.1
Other Liabilities	1,803,001	4.7	2,113,537	5.7
Environmental and Disposal Liabilities	876,220	2.3	864,883	2.3
Federal Employee Benefits Payable	1,410,184	3.7	1,495,873	4.0
Accounts Payable	845,513	2.2	572,584	1.5
Advances From Others and Deferred Revenue	1,182,707	3.1	953,398	2.6
Loan Guarantees	281,225	0.7	145,644	0.4
Total Liabilities	38,212,858	100	37,301,947	100

Financial Highlights *(CONT.)*

Results of Operations

NET COSTS

The Department's Net Cost of Operations was $116.2 billion for FY 2022, as summarized in the following table. Surface and air costs represent 97.9 percent of the Department's total net cost of operations. Surface transportation program costs represent the largest investment for the Department, at 78 percent of the net cost of operations. Air transportation is the next largest investment, at 19.9 percent of total net cost of operations.

NET COSTS (DOLLARS IN THOUSANDS)				
Line Item	**2022**	**%**	**2021**	**%**
Surface Transportation	90,665,932	78.0	75,857,536	73.8
Air Transportation	23,134,895	19.9	26,025,655	25.3
Maritime Transportation	1,068,572	0.9	337,644	0.3
Cross-Cutting Programs	459,509	0.4	376,606	0.4
Costs Not Assigned to Programs	907,672	0.8	253,262	0.2
Net Cost of Operations	116,236,580	100	102,850,703	100

NET POSITION

The Department's Consolidated Balance Sheets and Consolidated Statement of Changes in Net Position report a Net Position of $262.9 billion at the end of FY 2022, an 88.4 percent increase from the $139.5 billion in the previous fiscal year. The increase is mainly attributable to appropriations received in FY 2022 for IIJA funding intended for nationwide infrastructure and transportation development and improvement as well as funding appropriated to restore the HTF resulting from P.L. 117-58. Unexpended prior year COVID-19 funding carried forward that is intended to prevent, prepare for, and respond to the pandemic also contributed to this year-over-year difference. 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 2022, the Department had total budgetary resources of $382.2 billion, which represents a 38.9 percent increase from FY 2021 levels of $275.2 billion. Budget Authority of $382.2 billion consisted of $99.2 billion in unobligated authority carried over from previous years, $190.8 billion in appropriations, $82.3 billion in borrowing and contract authority, and $9.8 billion in spending authority from offsetting collections. The Department's FY 2022 obligations incurred totaled $274.9 billion compared with FY 2021 obligations incurred of $176.1 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2022, the Department had net outlays of $113.8 billion compared with FY 2021 levels of $105.3 billion, an 8.1 percent increase.

RESOURCES (DOLLARS IN THOUSANDS)			
Line Item	**2022**	**2021**	**% Change**
Total Budgetary Resources	382,199,088	275,196,831	38.9
New Obligations and Upward Adjustments	274,935,585	176,118,848	56.1
Agency Outlays, Net	113,696,391	105,279,842	8.1

Financial Highlights *(CONT.)*

COVID-19 Financial Impact

CRRSAA was signed into law on December 27, 2020, which provided $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. There were no additional COVID-19 funds received in FY 2022.

In FY 2022, the Department obligated $33.4 billion of its COVID-19 appropriations received in prior fiscal years, while $9 billion of COVID-19 Budgetary Resources remain available for use in FY 2023. Other COVID-19 related significant financial impacts include: $32.1 billion decrease to FBwT, $1.4 billion decrease to Grant Accrual, $8.6 billion increase to net costs, and a $32.1 billion decrease to net position. These financial impacts were due to there being no new COVID-19 funding received in FY 2022, while the Department continued to execute and outlay existing COVID-19 funding received in prior fiscal years.

See Note 25, 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 MARAD. 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 DOT in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

FY 2022 FMFIA Assurance Letter to the President

U.S. Department of Transportation
November 15, 2022

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) 2022.

The Federal Managers' Financial Integrity Act (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, 2022.

Based on the results of the FY 2022 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

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 FY 2022, ending September 30, 2022, 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, 2022.

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 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 OA and the 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 (OFM). Any identified FMFIA material weakness, significant deficiency, and/or system noncompliance are reported internally. Corrective action plans are also put into place to address the identified findings. Guidance for completing the OA Statement of Assurance and reporting on deficiencies is issued annually by DOT's OFM.

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 2022. DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2022 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. The assessments for FY 2022 included the following, utilizing applicable guidance:

- **Appendix A, Management of Reporting and Data Integrity Risk**
    - 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 2022, DOT documented and assessed internal controls over several business processes. Appendix A activities in FY 2022 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 support 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

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

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.

- **Appendix B, A Risk Management Framework for Government Charge Card Programs**
  - The Charge Card Act establishes reporting and audit requirement responsibilities for executive branch agencies, and OMB Circular A-123, Appendix B consolidates various government-wide charge card requirements and guidance. DOT reviewed the Travel, Purchase, and Fleet Card programs for compliance with the Charge Card Act and OMB Circular A-123, Appendix B requirements.
- **Appendix C, Requirements for Payment Integrity Improvement**
  - 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 PIIA; P.L. 116-117 and OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*. In FY 2022, DOT conducted a review of the programs and activities that it administers in accordance with the requirements of PIIA and OMB Circular A-123, Appendix C (see Payment Integrity Information Act Reporting for more information).
- **Appendix D, Compliance with the Federal Financial Management Improvement Act**
  - DOT reviewed its financial management systems for compliance with OMB Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act*, during FY 2022 (see FFMIA for more information).
- **Disaster Relief Appropriations Act, 2014 (P.L. 113-2), OMB Memorandum: Accountability for Funds Provided by the Disaster Relief Appropriations Act (March 12, 2013)**
  - During FY 2022, DOT performed a review of spending practices of Hurricane Sandy recovery-related funding for the implementation of appropriate policies and controls to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy.

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

Federal Financial Management Improvement Act (FFMIA)

FFMIA requires that each agency implement and maintain financial management systems that comply substantially with the following three FFMIA Section 803(a) requirements: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards promulgated by the 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 2022.

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 using a contracted audit service provider. For FY 2022, in accordance with revised guidance issued by OMB[1] , the annual FISMA report was finalized and submitted on July 30, 2022. OIG separated its FISMA-required assessment and submission to OMB, per OMB's guidance, from a narrative audit report of cybersecurity at DOT. The narrative report was published on September 28, 2022 and is available at www.oig.dot.gov.

1 OMB M-22-05, *Fiscal Year 2021-2022 Guidance on Federal Information Security and Privacy Management Requirements*; December 6, 2021; https://www.whitehouse.gov/wp-content/uploads/2021/12/M-22-05-FY22-FISMA-Guidance.pdf

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

In FY 2022, OST, the OAs, and OIG operated a total of 451 information systems showing no changes from the FY 2021 adjusted inventory. Of this total, 326 information systems are attributable to FAA, and 14 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 2022, 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 2022, 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 2022 included:

- Continued use 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;
- Prioritization of efforts to improve the mandatory use of phishing-resistant multifactor authentication (MFA) for access to DOT networks and systems, resulting in greater than 99% mandatory use within the FAA and greater than 95% mandatory use within the rest of DOT;
- Acceleration of the implementation and integration of enterprise logging capabilities in support of E.O. 14028 and achieving greater than 80% compliance by August 27, 2022, in support of the requirements of OMB M-21-31[2] ;
- Expansion of Departmental phishing exercises to all DOT personnel, and increasing the frequency of the exercises from quarterly to monthly, resulting in a drop in vulnerability rates from more than 14% to under 5%;
- Increased automation and enhancement of the agency security training program and dashboards to improve the delivery of cybersecurity awareness and specialized training, and improve the quality of data and reporting;
- Recruiting and appointment of a new agency Chief Privacy Officer; and
- Recruiting and appointment of a new agency Associate CIO for Cybersecurity and Information Protection, and Departmental Chief Information Security Officer (CISO).

For FY 2023, subject to the availability of resources, the Department plans to:

- Achieve the next level of maturity – EL2 - for the agency enterprise logging capability by June 30, 2023;
- Recruit and onboard up to 15 new cybersecurity positions in support of Departmental cybersecurity program needs and priorities by June 30, 2023;
- Publish updates to the Departmental Cybersecurity Policy and Compendium, including support for NIST SP 800-53 revision 5 enhancements, by March 31, 2023;
- Develop and communicate an organization-wide Supply Chain Risk Management strategy and implementation plan to guide and govern supply chain risks by November 30, 2023;
- Accelerate agency implementation of Federal Zero Trust Architecture (ZTA) requirements[3] , especially MFA, and encryption; and
- Implement required elements of OMB policy[4] and direction on Secure Software Development Practices by the dates provided by OMB.

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2 OMB M-21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*; August 27, 2021; https://www.whitehouse.gov/wp-content/uploads/2021/08/M-21-31-Improving-the-Federal-Governments-Investigative-and-Remediation-Capabilities-Related-to-Cybersecurity-Incidents.pdf

3 OMB M-22-09, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*; January 26, 2022; https://www.whitehouse.gov/wp-content/uploads/2022/01/M-22-09.pdf

4 OMB M-22-18, *Enhancing the Security of the Software Supply Chain through Secure Software Development Practices*; September 14, 2022; https://www.whitehouse.gov/wp-content/uploads/2022/09/M-22-18.pdf

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

Financial Management Systems Strategy

DOT delivers high-value financial management services to its OAs while maintaining optimal system performance, automating business processes, and improving data accessibility, through our shared service provider, the 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 while gaining financial efficiency through cost sharing the support of the financial management system. DOT and ESC focus on people, processes, and technology to continually improve and gain cost efficiencies for efficient management of taxpayer dollars and improve reporting and data availability.

The Department has initiatives underway aimed at automating processes, strengthening internal controls, and improving data transparency and financial reporting to ensure that funds disbursed through the BIL are properly accounted for and reported. These actions demonstrate our continued discipline and accountability in the execution of DOT's fiscal responsibilities.

UNIQUE ENTITY IDENTIFIER (UEI)

The General Services Administration (GSA) implemented the UEI for each non-federal entity doing business with the federal government on April 4, 2022. The UEI replaced a decades old private entity identification system that resulted in significant annual fees to maintain. The UEI is used in grant, procurement, and financial transactions to validate recipient information and ensure awards and payments are made to the proper entity. This required significant coordination between the grant, procurement, and financial management systems. In FY 2022 system upgrades for these systems were tested and implemented to support the successful transition to UEI and to ensure the Department's vendor and grantee communities continued receiving timely awards and payments.

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) executed a phased approach to meet the G-Invoicing mandate and is preparing to complete the second phase of the project which requires transacting new orders through the system solution. The final phase in FY 2023 will include the migration of all open IGT Buy/Sell activity to the G-Invoicing solution by October 2023.

BIPARTISAN INFRASTRUCTURE LAW (BIL) SUPPORT

In FY 2022, Congress passed the BIL, which makes once-in-a-generation investments in transportation infrastructure over several years. From the moment it was passed, DOT has been working to ensure that financial management and grant systems are prepared to support the award and payment processes for BIL grantees. As the year unfolded, initial awards and payments were successfully processed. In a continued effort to strengthen system and internal controls, DOT is evaluating existing and planned grants systems to refine and reduce systems to make it more efficient for grantees to complete the administrative tasks required to secure BIL funds.

DOT ESC Shared Service Provider

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 (GAO) (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) 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.

Climate-Related Risk

The Department owns or operates more than 10,000 real property assets across ten climatic regions identified in the 2018 National Climate Assessment. Many air traffic control assets, offices, research laboratories, and other mission-critical buildings in widely dispersed locations will experience a range of climate impacts, from extreme storms made worse by sea level rise, to longer lasting and more extreme heat waves, to increased numbers and severity of hurricanes, wildfires, tornados, and floods.

DOT will enhance the resilience of these assets by identifying and implementing priority-adaptation actions such as:

- Guide sustained and coordinated action among OAs to further climate resilience efforts;
- Use a risk-based management framework to assign a climate sensitivity and adaptive capacity score to each mission-critical asset;
- Prioritize implementation of adaptation projects at mission-critical assets by combining climate sensitivity scores and cost-benefit measures to rank projects; and
- Explore opportunities to implement innovative technology and practices (e.g., clean energy technologies and net zero buildings) that significantly reduce climate susceptibility

FINANCIAL REPORT

Message from the Assistant Secretary for Budget and Programs and CFO

I am proud to present the fiscal year (FY) 2022 Department of Transportation (DOT or Department) Financial Statements. The Department and our financial management professionals were again able to overcome tremendous challenges to ensure the agency's mission and financial management objectives were achieved. While continuing to navigate through the COVID-19 pandemic and assist in our Nation's recovery, DOT was charged with implementing and executing the funding appropriated by Congress and enacted by the President in the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL). In FY 2022, DOT was able to achieve success in several significant areas, including implementing and executing the IIJA/BIL that supports the President's vision for infrastructure development, helping our nation's transportation sector in continuing to implement and execute COVID-19 recovery efforts, success in our financial statement audit, and continuing to enhance our financial management systems.

Infrastructure Investment and Jobs Act (IIJA)/Bipartisan Infrastructure Law (BIL) implementation. Congress passed, and the President signed, the IIJA/BIL in November 2021. This Act provides $660 billion of new infrastructure investments over 5 years, which represents a once-in-a-generation investment in our nation's infrastructure and competitiveness. The Department has taken significant action to implement this ambitious agenda of infrastructure investments towards modernizing and reshaping our country's transportation systems. From the moment IIJA/BIL was passed, DOT's financial management professionals worked to ensure that our financial and grant systems were prepared to support increased demands on award and payment processes for IIJA/BIL grantees, resulting in successful initial awards and disbursements. In a continued effort to strengthen systems and internal controls, DOT is also evaluating existing and planned grants systems to refine processes and systems to make it more efficient for grantees to complete the administrative tasks required to secure IIJA/BIL funds.

COVID-19 recovery and support. In FY 2022, DOT continued to support the nation's recovery efforts from the ongoing COVID-19 pandemic. Although there were no new funds appropriated specifically for COVID-19, DOT continued to execute the remaining funding appropriated by Congress through the Coronavirus Aid, Relief, and Economic Security (CARES) Act in 2020, and both the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act (ARPA) in 2021. These funds provided critical relief efforts nationwide to support our nation's transportation systems, their employees, and the public.

This year, the Department and our operating administrations continued the successful execution and timely reporting of the $36 billion in FY 2020 CARES funds, $27 billion in FY 2021 CRRSAA funding, and $43 billion in FY2021 ARPA funding. Over the last two years, DOT obligated over 90% ($97 billion) of these resources and we've disbursed or expended approximately 67% (about $70 billion) of that money. With these funds, DOT has issued more than 6,000 grants to airports, from large airports to small and regional facilities, to help offset lost revenue and maintain these important economic hubs. DOT also awarded more than 2,000 grants to localities to keep public transit up and running, including light rail hubs to local bus services in rural communities; helping healthcare professionals, grocery workers, bus drivers, and other front-line employees get to work and back home. DOT also provided close to $4 billion to help keep Amtrak routes available. To increase transparency, DOT created and maintains a public-facing report on the DOT website showing the status of these resources every two weeks.

Financial statement audit success. The Department was able to obtain an unmodified audit opinion on its financial statements in FY 2022. This represents our 16th consecutive unmodified opinion and is a tremendous accomplishment. DOT takes great pride in being trustworthy stewards of public funds entrusted to us. Achieving continued audit success demonstrates the Department's commitment to accurately and effectively accounting for the resources provided and enables us to properly execute the Department's mission.

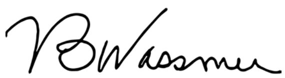
There were no material weaknesses identified during this year's audit. This accomplishment shows that the people, processes, and systems that DOT has in place are world-class in sound federal financial management policy and execution. It also speaks to the fidelity of DOT's financial management systems and processes to be able to consistently provide reliable, accurate information and results.

Message from the Assistant Secretary for Budget and Programs and CFO *(CONT.)*

Financial management systems success. DOT continued to deliver high-value financial management services in FY 2022 while maintaining optimal system performance, automating business processes, and improving data accessibility. The Department currently has initiatives underway aimed at further automating processes, strengthening internal controls, and improving data transparency and financial reporting to ensure that all funds continue to be properly accounted for and reported.

The Department made targeted improvements to its financial management environment during FY 2022. These activities have left DOT in a better position to continue providing superior financial management and ensure that DOT's stewardship of public funds continues to occur without issue and maintains the public's trust. During FY 2023, DOT plans to continue improving our financial management systems, and specifically to increase our efforts related to risk identification and management, to ensure we can meet the demands of the ever-changing reporting and cybersecurity landscape.

Sincerely,



Victoria B. Wassmer

Office of Inspector General Quality Control Review

U. S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 15, 2022

Subject: INFORMATION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2022 and 2021 | Report No. QC2023008

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 2022 and 2021.

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, 2022, and September 30, 2021, 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 contact me or Dormayne Dillard-Christian, Assistant Inspector General for Financial Audits.

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

[1] GAO, *Financial Audit Manual*, Volume 1 (GAO-22105894), June 2022; Volume 2 (GAO-22-105895), June 2022; Volume 3 (GAO-21-105127), June 2022.

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 2022 and 2021, 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 no significant deficiencies[3] in internal control over financial reporting that it considered 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 no recommendations (see attachment 1).

Quality Control Review

We performed a QCR of KPMG's report, dated November 10, 2022, 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.

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[2] DOT's full Annual 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.

Agency Comments and OIG Response

KPMG provided DOT with its draft report on November 8, 2022, and received DOT's response, dated November 10, 2022 (see attachment 2).

Actions Required

No further actions are required.

Independent Auditors' Report

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 Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the US Department of Transportation (Department), which comprise the consolidated balance sheets as of September 30, 2022, and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2022, and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - 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 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of

KPMG

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, 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

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Table of Contents, Foreword, Message from the Secretary, Other Information, and List of Acronyms but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG

Report on 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, 2022, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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, 2022, 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. 22-01.

We also performed tests of the Department's 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.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 10, 2022

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Management's Response to the Independent Auditors' Report

Memorandum

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

Subject: Management Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2022

From: Victoria B. Wassmer   VICTORIA BAECHER WASSMER Digitally signed by VICTORIA BAECHER WASSMER Date: 2022.11.10 16:43:29 -05'00'
Assistant Secretary for Budget and Programs and Chief Financial Officer

To: Eric J. Soskin
Inspector General

James Gould
Partner, KPMG LLP

CC: Joe Jarrin, Deputy Assistant Secretary for Finance and Budget
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 again this fiscal year 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. The annual financial statement audit provides an opportunity for continuous improvement as we promote the prudent, effective, and efficient use of funds across the Department.

I appreciate the professionalism and cooperation exhibited by your office during the audit. Our combined efforts and cooperation 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, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 127,914,274	$ 114,363,099
Investments, Net (Note 3)	140,810,090	30,264,917
Accounts Receivable, Net (Note 4)	109,402	88,926
Advances and Prepayments (Note 5)	7,184	18,929
Total Intragovernmental	**268,840,950**	**144,735,871**
Other than Intragovernmental		
Accounts Receivable, Net (Note 4)	116,534	104,738
Loans Receivable, Net (Note 6)	16,265,614	15,245,491
Inventory and Related Property, Net (Note 7)	1,073,843	1,037,990
General Property, Plant and Equipment, Net (Note 8)	12,873,847	12,711,237
Advances and Prepayments (Note 5)	1,944,998	2,981,814
Total Other than Intragovernmental	**32,274,836**	**32,081,270**
Total Assets	**$ 301,115,786**	**$ 176,817,141**
Stewardship Property, Plant and Equipment (Note 9)		
LIABILITIES (NOTE 10)		
Intragovernmental		
Accounts Payable	$ 26,525	$ 6,653
Debt (Note 11)	16,415,203	15,065,013
Advances From Others and Deferred Revenue	925,463	674,370
Other Liabilities (Note 15)	854,237	1,566,786
Total Intragovernmental	**18,221,428**	**17,312,822**
Other than Intragovernmental		
Accounts Payable	818,988	565,931
Loan Guarantee Liability (Note 6)	281,225	145,644
Federal Employee Benefits Payable (Note 12)	1,410,184	1,495,873
Environmental and Disposal Liabilities (Note 13 and Note 17)	876,220	864,883
Advances From Others and Deferred Revenue	257,244	279,028
Other Liabilities		
Accrued Grant Liabilities (Note 14)	15,398,805	16,091,015
Other (Note 15)	948,764	546,751
Total Other than Intragovernmental	**19,991,430**	**19,989,125**
Total Liabilities	**$ 38,212,858**	**$ 37,301,947**
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations—Funds From Dedicated Collections (Consolidated) (Note 18)	$ 1,258,322	$ 719,382
Unexpended Appropriations—Funds from Other than Dedicated Collections (Consolidated)	109,619,829	95,377,129
Total Unexpended Appropriations (Consolidated)	110,878,151	96,096,511
Cumulative Results of Operations - Funds From Dedicated Collections (Consolidated) (Note 18)	142,127,489	32,310,357
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated)	9,897,288	11,108,326
Total Cumulative Results of Operations (Consolidated)	152,024,777	43,418,683
Total Net Position	262,902,928	139,515,194
Total Liabilities and Net Position	**$ 301,115,786**	**$ 176,817,141**

CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
Program Costs		
SURFACE TRANSPORTATION		
Gross Costs	$ 91,735,194	$ 76,859,546
Less: Earned Revenue	1,069,262	1,002,010
Net Program Costs	**90,665,932**	**75,857,536**
AIR TRANSPORTATION		
Gross Costs	23,678,974	26,493,424
Less: Earned Revenue	544,079	467,769
Net Program Costs	**23,134,895**	**26,025,655**
MARITIME TRANSPORTATION		
Gross Costs	1,590,700	817,428
Less: Earned Revenue	522,128	479,784
Net Program Costs	**1,068,572**	**337,644**
CROSS-CUTTING PROGRAMS		
Gross Costs	585,900	492,317
Less: Earned Revenue	126,391	115,711
Net Program Costs	**459,509**	**376,606**
Costs Not Assigned to Programs	915,368	259,691
Less: Earned Revenues Not Attributed to Programs	7,696	6,429
Net Cost of Operations	**$ 116,236,580**	**$ 102,850,703**

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022			2021		
	Funds from Dedicated Collections (Consolidated)	Funds from Other than Dedicated Collections (Consolidated)	Total	Funds from Dedicated Collections (Consolidated)	Funds from Other than Dedicated Collections (Consolidated)	Total
UNEXPENDED APPROPRIATIONS						
Beginning Balance	$ 719,382	$ 95,377,129	$ 96,096,511	$ 489,609	$ 45,324,553	$ 45,814,162
Appropriations Received (Note 1W)	5,000,000	175,621,270	180,621,270	483,500	109,645,432	110,128,932
Appropriations Transferred-in/(out)	-	(495)	(495)	-	10,000	10,000
Other Adjustments	(25)	(289,777)	(289,802)	(50,235)	(489,484)	(539,719)
Appropriations Used	(4,461,035)	(161,088,298)	(165,549,333)	(203,492)	(59,113,372)	(59,316,864)
Net Change in Unexpended Appropriations	538,940	14,242,700	14,781,640	229,773	50,052,576	50,282,349
Total Unexpended Appropriations	**1,258,322**	**109,619,829**	**110,878,151**	**719,382**	**95,377,129**	**96,096,511**
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	32,310,357	11,108,326	43,418,683	24,367,243	11,241,494	35,608,737
Other Adjustments	-	(416)	(416)	-	(64)	(64)
Appropriations Used	4,461,035	161,088,298	165,549,333	203,492	59,113,372	59,316,864
Nonexchange Revenue (Note 19)	59,216,981	1,734	59,218,715	52,003,570	1,224	52,004,794
Donations/Forfeitures of Cash/Cash Equivalents	1,025	-	1,025	1,272	-	1,272
Transfers-in/(out) Without Reimbursement	117,010,185	(116,943,607)	66,578	27,136,172	(27,097,963)	38,209
Donations and Forfeitures of Property	-	24,868	24,868	-	25,703	25,703
Imputed Financing	450,895	45,106	496,001	421,398	63,269	484,667
Other	(433,149)	(80,281)	(513,430)	(1,064,619)	(146,177)	(1,210,796)
Net Cost of Operations	70,889,840	45,346,740	116,236,580	70,758,171	32,092,532	102,850,703
Net Change in Cumulative Results of Operations	109,817,132	(1,211,038)	108,606,094	7,943,114	(133,168)	7,809,946
Total Cumulative Results of Operations	**142,127,489**	**9,897,288**	**152,024,777**	**32,310,357**	**11,108,326**	**43,418,683**
Net Position	**$ 143,385,811**	**$ 119,517,117**	**$ 262,902,928**	**$ 33,029,739**	**$ 106,485,455**	**$ 139,515,194**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022		2021	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES (NOTE 20)				
Unobligated Balance From Prior Year Budget Authority, Net	$ 98,951,382	$ 260,661	$ 61,474,648	$ 368,210
Appropriations (Note 1W)	190,836,653	7,338	126,592,572	-
Borrowing Authority	-	5,599,774	-	10,565,919
Contract Authority	76,698,407	-	62,016,434	-
Spending Authority From Offsetting Collections	9,150,388	694,485	13,180,433	998,615
Total Budgetary Resources	**$ 375,636,830**	**$ 6,562,258**	**$ 263,264,087**	**$ 11,932,744**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 268,863,408	$ 6,072,177	$ 165,188,713	$ 10,930,135
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	78,144,953	308,342	76,345,700	322,407
Unapportioned, Unexpired Accounts	28,332,416	181,739	21,485,890	680,202
Unexpired Unobligated Balance, End of Year	106,477,369	490,081	97,831,590	1,002,609
Expired Unobligated Balance, End of Year	296,053	-	243,784	-
Unobligated Balance, End of Year	**106,773,422**	**490,081**	**98,075,374**	**1,002,609**
Total Budgetary Resources	**$ 375,636,830**	**$ 6,562,258**	**$ 263,264,087**	**$ 11,932,744**
OUTLAYS, NET, AND DISBURSEMENTS, NET				
Outlays, Net	$ 233,432,830		$ 135,926,326	
Distributed Offsetting Receipts	(119,736,439)		(30,646,484)	
Agency Outlays, Net	**$ 113,696,391**		**$ 105,279,842**	
Disbursements, Net		**$ 1,775,252**		**$ (2,691,022)**

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' 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' financial statements are available via their website.

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 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, those not covered by budgetary resources, and those not requiring budgetary resources.

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 August 2022.

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 21.

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

On the Consolidated Balance Sheets and in certain accompanying notes to the consolidated financial statements, transaction balances are classified as either being intragovernmental or other than intragovernmental. Intragovernmental transactions and balances result from exchange transactions made between DOT and other Federal Government entities while those classified as "other than intragovernmental" 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 "other than intragovernmental," 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 other than intragovernmental and intragovernmental revenue with costs that are incurred to produce other than intragovernmental 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 August 2022. 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 2022 and FY 2021, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity, borrowing authority, and contract authority. DOT recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through warrants and trust fund transfers.

Programs are financed from authorizations enacted in authorizing legislation and codified in Title 23 and 49 of the United States Code (U.S.C.). The DOT receives its budget authority in the form of direct appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections or receipts. Subsequently, Congress provides an appropriation for the liquidation of the contract authority to allow payments to be made for the obligations incurred. Funds apportioned by statute under Titles 23 and 49 of the U.S.C., Subtitle III by the Secretary of Transportation for activities in advance of the liquidation of appropriations are available for a specific time period.

D. Basis of Accounting

The Department's consolidated financial statements are prepared in accordance with all applicable accounting principles and standards developed and issued by FASAB, which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish generally accepted accounting principles (GAAP) for the Federal Government. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires the Department to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger requirements at the transaction level.

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints.

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

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

Department has the intent and the ability to hold investments to maturity. Investments, redemptions, and reinvestments are controlled and processed by the U.S. Treasury. DOT has nonmarketable par value and market-based Treasury securities. DOT also has marketable securities issued by the Treasury at market price.

G. Receivables

Accounts Receivable

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities. Accounts receivable including federal and public are presented net of an allowance for loss on uncollectible amounts, which is based on historical collection experience or an analysis of the individual receivables.

Loans Receivable

Loans are accounted for as receivables after funds have been disbursed. Loans 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 thresholds are established at the departmental level, however, capitalization at lesser amounts is permitted at the Operating Administration level. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect cost. The straight line method is used to depreciate capitalized assets.

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

J. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses or capitalized, as appropriate, when the related goods and services are received. 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

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

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 General Services Administration (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 16).

N. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements. 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 (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.

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

R. Federal Employees Compensation Act (FECA) Benefits

FECA (P.L. 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 U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the DOT for these paid claims.

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because DOT will reimburse the DOL 2 years after the actual payment of expenses. Future revenues will be used to reimburse DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under FECA.

S. Environmental and Disposal Liabilities

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

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

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

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 (SNC), 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, 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. 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.

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

W. Revenues and Other Financing Sources

Funds from Dedicated Collections Excise Tax Revenues (Nonexchange)

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

The DOT September 30, 2022 financial statements reflect excise taxes certified by the IRS through March 31, 2022 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period April 1, 2022 to September 30, 2022, as specified by FASAB Statement of Federal Financial Accounting Standard (SFFAS) Number 7, Accounting for Revenue and Other Financing Sources. Actual excise tax collection data for the quarters ended June 30, 2022 and September 30, 2022 will not be available until after the statements are released. The HTF and AATF receive their budget authority in the form of contract authority and direct appropriations. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

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 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. On November 15th, 2021, P.L. 117-58 was signed into law, providing funding for surface transportation through September 30th, 2026. P.L. 117-58 also appropriated $118 billion in cash transfers from the General Fund of the U.S. Government to the HTF in FY 2022.

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 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.

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 providing $43 billion in supplemental appropriations also in response to COVID-19. There was no additional funding received in FY 2022 to further the COVID-19 relief efforts.

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), was signed into law on November 15, 2021 (P.L. 117-58), providing $383.3 billion in funding over a 5 year period for highway construction, infrastructure, research and development, safety , and transit programs. In addition to these amounts, Division J of PL 117-58 also provides $184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA/BIL also authorized an additional $93.5 billion for future appropriations.

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

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 23.

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 2022, certain financial statements and notes have been reclassified to conform to changes in reporting requirements.

Z. Taxes

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

AA. Classified Activities

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

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance With Treasury as of September 30, 2022 and 2021 consists of the following:

DOLLARS IN THOUSANDS	2022	2021
STATUS OF FUND BALANCE WITH TREASURY		
Unobligated Balance		
Available	$ 74,788,145	$ 72,084,789
Unavailable	8,975,199	3,426,866
Obligated Balance Not Yet Disbursed	43,604,985	37,793,860
Non-Budgetary Fund Balance with Treasury	545,945	1,057,584
Total	**$ 127,914,274**	**$ 114,363,099**

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.

As of September 30, 2022 and 2021, the unused funds in expired appropriations that were returned to Treasury at the end of the fiscal year were $22.9 million and $104.2 million, respectively. These balances are excluded from amounts reported as Fund Balance with Treasury

DOT reports significantly more Fund Balance with Treasury than prior year, primarily due to the additional appropriations received in FY2022 from the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL).

NOTE 3. INVESTMENTS

Investments as of September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	$ 51,979	$ (306)	$ 51,673	$ 49,790
Non-Marketable: Par Value	138,364,780	-	138,364,780	138,364,780
Non-Marketable: Market-Based	2,366,184	(13,813)	2,352,371	2,323,933
Subtotal	**140,782,943**	**(14,119)**	**140,768,824**	**140,738,503**
Accrued Interest Receivable	41,266	-	41,266	
Total Intragovernmental Securities and Investments	**$ 140,824,209**	**$ (14,119)**	**$ 140,810,090**	**$ 140,738,503**

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 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.

DOT reports significantly more Investments than the prior year, primarily due to additional appropriations received in FY 2022 from the General Fund of the U.S. Government to restore the Highway Trust Fund.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	$ 110,613	$ (7,861)	$ 102,752
Transfers Receivable	6,650	-	6,650
Total Intragovernmental	**117,263**	**(7,861)**	**109,402**
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	285,474	(170,678)	114,796
Accrued Interest	6,451	(4,713)	1,738
Total Other than Intragovernmental	**291,925**	**(175,391)**	**116,534**
Total Accounts Receivable	**$ 409,188**	**$ (183,252)**	**$ 225,936**

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**
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	275,895	(172,682)	103,213
Accrued Interest	5,509	(3,984)	1,525
Total Other than Intragovernmental	**281,404**	**(176,666)**	**104,738**
Total Accounts Receivable	**$ 374,388**	**$ (180,724)**	**$ 193,664**

The intragovernmental transfer receivable amount of $6.6 million and $13 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, 2022 and 2021:

DOLLARS IN THOUSANDS	2022	2021
INTRAGOVERNMENTAL		
Advances to Others and Prepayments	$ 7,184	$ 18,929
Total Intragovernmental Other Assets	**$ 7,184**	**$ 18,929**
OTHER THAN INTRAGOVERNMENTAL		
Advances to States for Right of Way	$ 252	$ 252
Advances to Others and Prepayments	1,944,746	2,981,562
Total Other than Intragovernmental	**$ 1,944,998**	**$ 2,981,814**

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. Other than Intragovernmental 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 $1.94 billion and $2.98 billion of other than intragovernmental 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 FY 2021, Amtrak received significantly more advances in FY 2021. There was no additional CRRSAA or ARPA funding received this year. (See Note 25)

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

FCRA 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. All DOT loans are Post-1991.

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

DOT administers the following direct loan and/or loan guarantee programs:

1. The Railroad Rehabilitation Improvement Program is used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of tract, bridges, yards, buildings, and shops; refinance outstanding debt incurred; and develop or establish new intermodal or railroad facilities.

2. The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program provides Federal credit assistance for major transportation investments of critical national importance such as highway, transit, passenger rail, certain freight facilities, and certain port projects with regional and national benefits. The TIFIA credit program is designed to fill market gaps and leverage substantial private coinvestment by providing supplemental and subordinate capital.

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

3. The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified ship owners and shipyards. Approved applicants are provided the benefit of long-term financing at stable interest rates. In FY 2019, Title XI ceased guarantees of new loans financed by the private sector. During FY 2020, the Department began disbursing loans financed by the Federal Financing Bank (FFB). Although, by statue, Title XI is a guaranteed loan program, under 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 remaining 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

	2022 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	$ 1,105,423	$ 2,767	$ -	$ (35,820)	$ 1,072,370
(2) TIFIA Loans	14,459,078	113,133	166,635	(49,527)	14,689,319
(3) Federal Ship Financing Fund (Title XI)	349,281	-	-	(10,282)	338,999
Total	**$ 15,913,782**	**$ 115,900**	**$ 166,635**	**$ (95,629)**	**$ 16,100,688**

	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**

Total Amount Of Direct Loans Disbursed (Post-1991)

	2022	2021
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Program	$ 382,000	$ 50
(2) TIFIA Loans	2,559,074	1,354,393
(3) Federal Ship Financing Fund (Title XI)	51,458	-
Total	**$ 2,992,532**	**$ 1,354,443**

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

Subsidy Expense For Direct Loans By Program And Component

Subsidy Expense for New Direct Loans Disbursed

	2022 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Program	$ -	$ -	$ -	$ (1,168)	$ (1,168)
(2) TIFIA Loans	-	7,731	-	(26,856)	(19,125)
(3) Federal Ship Financing Fund (Title XI)	-	1,603	(2,897)	-	(1,294)
Total	**$ -**	**$ 9,334**	**$ (2,897)**	**$ (28,024)**	**$ (21,587)**

	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**

Modifications and Reestimates

	2022 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) Railroad Rehabilitation Improvement Program	$ 4,536	$ -	$ (2,080)	$ (2,080)
(2) TIFIA Loans	325,817	(17,942)	(127,382)	(145,324)
(3) Federal Ship Financing Fund (Title XI)	-	(18)	(7,661)	(7,679)
Total	**$ 330,353**	**$ (17,960)**	**$ (137,123)**	**$ (155,083)**

	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)**

Total Direct Loan Subsidy Expense

	2022	2021
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Program	$ 1,288	$ (79,683)
(2) TIFIA Loans	161,368	(219,064)
(3) Federal Ship Financing Fund (Title XI)	(8,973)	176
Total	**$ 153,683**	**$ (298,571)**

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

Budget Subsidy Rates For Direct Loans For The Current Year Cohort

	2022 Interest Differential	Defaults	Fees And Other Collections	Other	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Program	-3.46%	1.75%	0.00%	0.00%	-1.71%
(2) TIFIA Loans Risk Category 1	-3.09%	1.88%	0.00%	0.00%	-1.21%
(3) Federal Ship Financing Fund (Title XI)	0.00%	5.01%	-5.28%	0.00%	-0.27%

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

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

DOLLARS IN THOUSANDS	2022	2021
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Subsidy Cost Allowance	$ (212,826)	$ 4,176
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	9,334	47,728
Fees and Other Collections	(2,897)	(1)
Other Subsidy Costs	(28,024)	(3,000)
Total of the Above Subsidy Expense Components	**(21,587)**	**44,727**
Adjustments		
Loan modifications	330,353	592,776
Fees recevied	2,907	10
Subsidy Allowance Amortization	151,863	81,558
Other	2	1
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**250,712**	**723,248**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(17,960)	(691,243)
Technical/Default Reestimate	(137,123)	(244,831)
Total of the Above Reestimate Components	**(155,083)**	**(936,074)**
Ending Balance of the Subsidy Cost Allowance	**$ 95,629**	**$ (212,826)**

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

Direct Loans Receivable

	2022	2021
Direct Loans receivable, net - beginning of the year	$ 15,042,090	$ 16,669,330
Add: Direct Loans Disbursed Payments	2,992,532	1,354,443
Add: Capitalized Interest	155,241	248,971
Less: Principal and Interest Payments Received	(1,780,722)	(3,447,657)
Less: Fees Received	(2,907)	(10)
Less: Subsidy Expense	(9,334)	(47,728)
Add: Negative Subsidy Payments	30,921	3,001
Less: Upward Reestimates	(317,949)	(223,029)
Add: Downward Reestimates	473,032	1,159,103
Less: Subsidy Allowance Amortization	(151,863)	(81,558)
Less: Loan Modifications	(330,353)	(592,776)
Direct Loans receivable, Net - end of year	**$ 16,100,688**	**$ 15,042,090**

During FY 2022, the Department incurred loan modification costs related to the refinancing of three 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.

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 downward reestimate on the Title XI FFB Loan Guarantees was a result of the rising interest rate environment.

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

Guaranteed Loans

Defaulted Guaranteed Loans From Post-1991 Guarantees

	2022 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy	Assets Related To Default Guaranteed Loans Receivable, Net
LOAN GUARANTEE PROGRAMS					
(3) Federal Ship Financing Fund (Title XI)	$ 163,917	$ -	$ 1,009	$ -	$164,926
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	**$ 164,641**	**$ 72**	**$ 1,009**	**$ (796)**	**$ 164,926**

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

Guaranteed Loans Outstanding

	2022 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	$ 1,133,471	$ 1,133,471
Total	**$ 1,133,471**	**$ 1,133,471**

Liability For Loan Guarantee (Present Value Method)

	2022 Liabilities for Post-1991 Guarantees, Present Value
LOAN GUARANTEE PROGRAMS	
(3) Federal Ship Financing Fund (Title XI)	$ 281,225
Total	**$ 281,225**

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

Subsidy Expense For Loan Guarantees By Program And Component

Modifications and Reestimates

	2022 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(3) Federal Ship Financing Fund (Title XI)	$ -	$ 26,695	$ 109,048	$ 135,743
Total	**$ -**	**$ 26,695**	**$ 109,048**	**$ 135,743**

	2021 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(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)**

Total Loan Guarantee Subsidy Expense

	2022	2021
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	$ 135,743	$ (46,385)
(4) OST Minority Business Resource Center	-	(196)
Total	**$ 135,743**	**$ (46,581)**

Budget Subsidy Rates For Loan Guarantees For The Current Year Cohort

	2022 Interest Supplements	Defaults	Fees And Other Collections	Other	Total
LOAN GUARANTEE PROGRAMS					
(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	2022	2021
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Loan Guarantee Liability	$145,644	$ 192,993
Less: Interest Revenue on Uninvested Funds	-	(1)
Add: Interest Expense on Entity Borrowings	-	2
Add: Upward Reestimates	140,098	720
Less: Downward Reestimates	(4,355)	(47,301)
Other	**(162)**	**(769)**
Ending Balance of the Loan Guarantee Liability	**$281,225**	**$ 145,644**

Defaulted Guarantee Loan Receivable

	2022	2021
Guaranteed Loans receivable, net - beginning of the year	$203,401	$204,714
Less: Principal and Interest Payments Received	(38,475)	(1,293)
Less: Sale of Foreclosed Property	-	(20)
Defaulted Guaranteed Loans receivable, Gross - end of year	**$164,926**	**$203,401**

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

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, 2022 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 FCRA, reserve reestimates are automatically covered by permanent indefinite budget authority, thereby providing DOT with sufficient resources to cover losses incurred without further Congressional action.

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2022 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	$ 269,198	$ -	$ 269,198
Inventory Held for Repair	449,742	-	449,742
Other	35,798	-	35,798
Total Inventory	**754,738**	**-**	**754,738**
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	255,429	(25,645)	229,784
Items Held in Reserve for Future Use	38,306	-	38,306
Excess, Obsolete and Unserviceable Items	3,269	(2,054)	1,215
Items Held for Repair	49,800	-	49,800
Total Operating Materials & Supplies	**346,804**	**(27,699)**	**319,105**
Total Inventory and Related Property			**$ 1,073,843**

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 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 $5.0 million in FY 2022 and $6.2 million in FY 2021.

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 (USMMA).

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, 2022 consists of the following:

DOLLARS IN THOUSANDS	Service Life	Acquisition Value	Accumulated Depreciation Amortization	Book Value
MAJOR CLASSES				
Land and Improvements	10-40	$ 102,811	$ (2,390)	$ 100,421
Buildings and Structures	20-40	7,600,632	(4,554,416)	3,046,216
Equipment	5-15	18,376,827	(14,157,504)	4,219,323
Internal Use Software	3-10	5,428,688	(2,991,589)	2,437,099
Assets Under Capital Lease	6-10	90,111	(54,295)	35,816
Leasehold Improvements	3	206,496	(168,543)	37,953
Aircraft	20	471,615	(379,019)	92,596
Ships and Vessels	15-25	1,826,043	(1,813,725)	12,318
Small Boats	10-18	29,614	(29,478)	136
Construction-in-Progress	N/A	2,891,969	-	2,891,969
Total		**$ 37,024,806**	**$ (24,150,959)**	**$ 12,873,847**

	Net PPE 2022
Balance Beginning of Year	$ 12,711,237
Capitalized Acquisitions	1,806,381
Dispositions	(38,353)
Revaluations	(319,864)
Donations	24,868
Transfers	39,515
Depreciation Expense	(1,349,937)
Balance End of Year	**$ 12,873,847**

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

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

DOLLARS IN THOUSANDS	Service	Acquisition	Accumulated Depreciation	Book Value
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**

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 (PPE) 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 1 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, 2022.

	Units As Of 9/30/2021	Additions	Withdrawals	Units As Of 9/30/2022
HERITAGE ASSETS				
Personal Property				
Artifacts	525	2	(64)	463
Other Collections	6,171	72	(91)	6,152
Total Personal Property Heritage Assets	**6,696**	**74**	**(155)**	**6,615**

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 pursuant to statute and leases the property to a private entity, which manages the property.

Union Station is an elegant and unique turn-of-the-century rail station in which a wide variety of elaborate, artistic workmanship, characteristic of the period is found. Union Station is listed on the National Register of Historic Places. The station consists of the renovated original building and a parking garage, which was added by the National Park Service.

The Nuclear Ship *Savannah* is the world's first nuclear-powered merchant ship. It was constructed as a joint project of the MARAD and the Atomic Energy Commission (AEC) as a signature element of President Eisenhower's "Atoms for Peace" program. In 1965, the AEC issued a commercial operating license and ended its participation in the joint program. The ship remains licensed and regulated by the U.S. Nuclear Regulatory Commission (NRC), successor to the AEC. The Nuclear Ship *Savannah* is listed on the National Register of Historic Places. The ship is a boldly styled passenger/cargo vessel powered by a nuclear reactor.

Actions taken by MARAD since FY 2006 have stabilized the ship and rehabilitated portions of its interior for workday occupancy by staff and crew. The ship is currently located in Baltimore, MD, where it is being prepared for continued "SAFSTOR" (The NRC method of preparing nuclear facilities for storage and decontamination) retention under the provisions of its NRC license.

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

Information concerning deferred maintenance and repairs and estimated land acreage is discussed in unaudited required supplementary information.

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources as of September 30, 2022 and 2021 consist of the following:

DOLLARS IN THOUSANDS	2022	2021
INTRAGOVERNMENTAL		
Other Liabilities		
Unfunded FECA Liabilities	$ 153,249	$ 158,465
Unfunded Employment Related Liability	29,404	32,881
Liability for Nonentity Assets	477,726	1,207,074
Other Liabilities	6,233	6,235
Total Intragovernmental	**666,612**	**1,404,655**
OTHER THAN INTRAGOVERNMENTAL		
Federal Employee Benefits Payable	1,392,167	1,479,573
Environmental and Disposal Liabilities (Note 13)	822,232	792,949
Other Liabilities		
Legal Claims	429,299	56,629
Capital Lease Liabilities	39,044	45,344
Other Liabilities	24,099	24,547
Total Other than Intragovernmental	**2,706,841**	**2,399,042**
Total Liabilities Not Covered by Budgetary Resources	**3,373,453**	**3,803,697**
Total Liabilities Covered by Budgetary Resources	34,805,164	33,472,657
Total Liabilities Not Requiring Budgetary Resources	34,241	25,593
Total Liabilities	**$ 38,212,858**	**$ 37,301,947**

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 $478 million and $1.2 billion of liability for nonentity assets for FY 2022 and FY 2021, respectively, are primarily related to downward loan subsidy reestimates. For consolidated financial statement presentation, DOT eliminates the payable to the nonentity fund and the general fund receivable from the financing funds; since both are included in DOT's financial statements. After the elimination, the downward reestimate payable to Treasury (Liability for Nonentity Asset) in the general fund receipt account remains on the Balance Sheet as a liability.

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

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, 2022 and September 30, 2021 consist of the following:

DOLLARS IN THOUSANDS	2021 Beginning Balance	2021 Net Borrowing	2021 Ending Balance	2022 Net Borrowing	2022 Ending Balance
INTRAGOVERNMENTAL DEBT					
Debt to the Treasury	$ 16,682,451	$ (1,929,113)	$ 14,753,337	$ 1,312,584	$ 16,065,921
Debt to the Federal Financing Bank	325,528	(13,852)	311,676	37,606	349,282
Total Intragovernmental Debt	**$ 17,007,979**	**$ (1,942,965)**	**$ 15,065,013**	**$ 1,350,190**	**$ 16,415,203**

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 2022, DOT's U.S. Treasury borrowings carried interest rates ranging from 0.70 percent to 6.1 percent. The maturity dates for these borrowings occur from September 2023 to September 2060. Federal Financing Bank borrowings carried interest rates of 1.22 percent and 3.714 percent. The maturity dates for these borrowings occur in October 2043 and March 2047. 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. FEDERAL EMPLOYEE BENEFITS PAYABLE

Federal Employee Benefits Payable during the fiscal year ended September 30, 2022 and September 30, 2021 consist of the following:

DOLLARS IN THOUSANDS	2022	2021
Actuarial FECA Liability	$ 730,316	$ 768,549
Employer Contributions Payable	18,017	16,300
Unfunded Leave	614,408	663,575
Other Unfunded Employment Related Liability	47,443	47,449
Total Federal Employee Benefits Payable	**$ 1,410,184**	**$ 1,495,873**

Federal Employees Compensation Act (FECA)

The FECA 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 DOL, which pays valid claims and subsequently seeks reimbursement from DOT for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by DOT. DOT reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two year lag between payment by DOL and reimbursement by DOT. As a result, DOT recognizes a liability for the actual claims paid by DOL and to be reimbursed by DOT.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. DOT recognizes an unfunded liability to DOL for these estimated future payments. The projected annual benefit payments are discounted to present value using OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is used to recognize the timing of benefit payments as 13 payments per year rather than an annual lump sum.

In addition, Other Liabilities (Note 15) includes $153.5 million and $158.7 million at September 30, 2022 and 2021,respectively, for intragovernmental FECA liabilities representing amounts billed to DOT by the DOL for FECA payments made on DOT's behalf.

NOTE 12. FEDERAL EMPLOYEE BENEFITS PAYABLE *(CONT.)*

Employer Contributions Payable

Employer contributions include the Thrift Savings Plan tax-deferred retirement savings and investment plan available to federal employees.

Other Unfunded Employment Related Liability

The other unfunded employment related liability is comprised of sick leave buyback option for eligible employees. Under the terms of various bargaining unit agreements, employees who are in FERS have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

Unfunded Leave

The unfunded leave liability consists of unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources. Unfunded leave liability includes accrued annual, compensatory, and credit hours leave. The accrued annual leave is $599.3 million at September 30, 2022.

NOTE 13. ENVIRONMENTAL & DISPOSAL LIABILITIES

Environmental and Disposal Liabilities as of September 30, 2022 and 2021 consist of the following:

DOLLARS IN THOUSANDS	2022	2021
Environmental Remediation	$ 382,347	$ 348,274
Asset Disposal	493,873	516,609
Total Environmental and Disposal Liabilities	**$ 876,220**	**$ 864,883**

Environmental Remediation

Environmental remediation generally occurs under the Resource Conservation and Recovery Act of 1976 (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund), or the Toxic Substances Control Act (TSCA). Environmental remediation includes the remediation of fuels, solvents, and other contamination associated with releases to the environment where DOT owns the property, leases the property, or is identified as a responsible party by a regulatory agency.

As of September 30, 2022 and 2021, 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, 2022, includes the estimated cost of disposing 87 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 17 for contingent environmental liabilities.

NOTE 14. 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.

Grant accruals by DOT Operating Administrations as of September 30, 2022 and 2021 were as follows:

DOLLARS IN THOUSANDS	2022	2021
Federal Aviation Administration	$ 6,640,832	$ 7,230,444
Federal Highway Administration	5,822,998	5,832,528
Federal Transit Administration	2,643,022	2,780,462
Other Operating Administrations	291,953	247,581
Total Grant Accrual	**$ 15,398,805**	**$ 16,091,015**

NOTE 15. OTHER LIABILITIES

Other Liabilities as of September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	$ -	$ 153,125	$ 153,125
FECA Billings	83,955	69,553	153,508
Liability for Nonentity Assets	-	477,726	477,726
Other Accrued Liabilities	-	69,878	69,878
Total Intragovernmental	**$83,955**	**$770,282**	**$854,237**
OTHER THAN INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	434,420	434,420
Legal Claims (Note 17)	-	429,299	429,299
Capital Leases (Note 16)	31,006	8,038	39,044
Other Accrued Liabilities	-	46,001	46,001
Total Other than Intragovernmental	**$ 31,006**	**$ 917,758**	**$ 948,764**
Total Other Liabilities	**$ 114,961**	**$ 1,688,040**	**$ 1,803,001**

NOTE 15. OTHER LIABILITIES *(CONT.)*

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	-	64,708	64,708
Total Intragovernmental	**85,637**	**1,481,149**	**1,566,786**
OTHER THAN INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	398,209	398,209
Legal Claims (Note 17)	-	56,629	56,629
Capital Leases (Note 16)	37,285	8,059	45,344
Other Accrued Liabilities	-	46,569	46,569
Total Other than Intragovernmental	**37,285**	**509,466**	**546,751**
Total Other Liabilities	**$ 122,922**	**$ 1,990,615**	**$ 2,113,537**

NOTE 16. LEASES

Entity As Lessee

Capital Leases

As of September 30, 2022 and 2021, capital leases were comprised of the following:

DOLLARS IN THOUSANDS	2022	2021
SUMMARY OF ASSETS UNDER CAPITAL LEASE BY CATEGORY		
Land, Buildings & Machinery	$ 90,111	$ 94,988
Accumulated Amortization	(54,295)	(55,605)
Net Assets Under Capital Lease	**$35,816**	**$ 39,383**

As of September 30, 2022, all assets were under non-Federal capital lease.

As of September 30, 2022, DOT's future payments due on assets under capital lease were:

Fiscal Year	Non-Federal
FUTURE PAYMENTS DUE	
FY 2023	$ 8,038
FY 2024	7,891
FY 2025	7,238
FY 2026	6,701
FY 2027	3,714
FY 2028+	11,179
Total Future Lease Payments	**44,761**
Less: Imputed Interest	5,717
Net Capital Lease Liability	**$ 39,044**

NOTE 16. LEASES *(CONT.)*

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 $311.7 million and $301.6 million for the years ended September 30, 2022 and 2021, respectively. For FY 2022, the Federal operating lease expense incurred was $228.2 million and the non-Federal operating lease expense incurred was $83.5 million. 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. 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 2022 to 2043. Any estimates of lease termination dates would be subjective, and any projection of future lease payments would be arbitrary.

As of September 30, 2022, 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 2023	$ 223,233	$ 82,439
FY 2024	216,609	53,804
FY 2025	202,025	33,396
FY 2026	196,604	28,135
FY 2027	192,772	23,438
FY 2028+	717,121	75,930
Total Future Lease Payments	**$1,748,364**	**$ 297,142**

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

NOTE 17. COMMITMENTS & CONTINGENCIES

Legal Liabilities

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.

As of September 30, 2022 and 2021, DOT's contingent liabilities, in excess of amounts accrued (Note 15), for asserted and pending legal claims are as follows:

2022	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
LEGAL CONTINGENCIES			
Probable	429,299	429,299	429,299
Reasonably Possible		112,995	124,213

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

See Note 13 for additional informational on environmental liabilities.

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, 2022 and 2021, FHWA has $69.3 billion and $68.8 billion, respectively, of advanced construction authorizations that could be converted to Federal obligations, subject to the availability of funds. These authorizations have not been recognized in the DOT consolidated financial statements at September 30, 2022 and 2021.

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, 2022 and September 30, 2021, FTA had funding commitments in FFGAs totaling $6.49 billion and $7.17 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, 2022.

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, 2022 and 2021, FAA has letters of intent totaling $0.26 billion and $0.2 billion, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2022 and 2021.

NOTE 17. COMMITMENTS & CONTINGENCIES *(CONT.)*

Environmental Liabilities

As of September 30, 2022 and 2021, 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.

2022	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	$ 876,220	$ 876,220	$ 876,220
Reasonably Possible		126,863	126,863

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

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 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 16-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. A loss contingency is not estimated for warranty claims that are reasonably possible of loss.

NOTE 18. 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.

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.

Mass Transit Account

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation (P.L. 109-59) changed the way FTA programs are funded. Beginning in FY 2006, the FTA formula and bus grant programs are funded 100 percent by the HTF.

The following is a list of other funds from dedicated collections for which DOT has program management responsibility.

Other Dedicated Collections

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

For the periods ended September 30, 2022 and 2021, 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, PPE 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 18. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2022

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2022 Total Funds From Dedicated Collections (Consolidated)
BALANCE SHEET							*As of September 30, 2022*
Assets							
Intragovernmental							
Fund Balance with Treasury	$ 5,921,454	$ 766,693	$ 15,013	$ 4,383,505	$ 11,086,665	$ -	$ 11,086,665
Investments, Net	127,546,569	10,848,905	-	2,414,616	140,810,090	-	140,810,090
Accounts Receivable, Net	88,468,255	-	-	6,233,270	94,701,525	(94,646,853)	54,672
Advances and Prepayments	167,354	-	-	241,495	408,849	(29,302)	379,547
Total Intragovernmental	222,103,632	11,615,598	15,013	13,272,886	247,007,129	(94,676,155)	152,330,974
Other than Intragovernmental							
Accounts Receivable, Net	11,097	-	-	38,821	49,918	-	49,918
General Property, Plant & Equipment, Net	247,763	-	-	3,413,828	3,661,591	-	3,661,591
Advances and Prepayments	762	-	-	1,936	2,698	-	2,698
Total Other than Intragovernmental	259,622	-	-	3,454,585	3,714,207	-	3,714,207
Total Assets	**$ 222,363,254**	**$ 11,615,598**	**$ 15,013**	**$ 16,727,471**	**$ 250,721,336**	**$ (94,676,155)**	**$ 156,045,181**
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	$ 88,705,951	$ 6,190,380	$ -	$ 24,287	$ 94,920,618	$ (94,646,853)	$ 273,765
Advances from Others and Deferred Revenue	407,534	-	-	26,688	434,222	(29,302)	404,920
Other Liabilities	16,985	-	-	298,173	315,158	-	315,158
Total Intragovernmental Liabilities	89,130,470	6,190,380	-	349,148	95,669,998	(94,676,155)	993,843
Other than Intragovernmental							
Accounts Payable	41,019	-	-	419,952	460,971	-	460,971
Federal Employee Benefits Payable	72,912	-	-	1,248,175	1,321,087	-	1,321,087
Accrued Grant Liabilities	7,274,391	-	295	1,943,932	9,218,618	-	9,218,618
Advances from Others and Deferred Revenue	95,666	-	-	127,567	223,233	-	223,233
Other Liabilities	57,221	-	1,444	382,953	441,618	-	441,618
Total Other than Intragovernmental Liabilities	7,541,209	-	1,739	4,122,579	11,665,527	-	11,665,527
Total Liabilities	**96,671,679**	**6,190,380**	**1,739**	**4,471,727**	**107,335,525**	**(94,676,155)**	**12,659,370**
Unexpended Appropriations	-	-	550	1,257,772	1,258,322	-	1,258,322
Cumulative Results of Operations	125,691,575	5,425,218	12,724	10,997,972	142,127,489	-	142,127,489
Total Liabilities and Net Position	**$ 222,363,254**	**$ 11,615,598**	**$ 15,013**	**$ 16,727,471**	**$ 250,721,336**	**$ (94,676,155)**	**$ 156,045,181**
STATEMENT OF NET COST							*For the year ended September 30, 2022*
Program Costs	$ 54,272,486	$ -	$ 559	$ 17,494,856	$ 71,767,901	$ (16,737)	$ 71,751,164
Less Earned Revenue	322,450	-	7	555,604	878,061	(16,737)	861,324
Net Program Costs	**53,950,036**	**-**	**552**	**16,939,252**	**70,889,840**	**-**	**70,889,840**
Costs Not Attributed to Programs	-	-	-	-			-
Net Cost of Operations	**$ 53,950,036**	**$ -**	**$ 552**	**$ 16,939,252**	**$ 70,889,840**	**$ -**	**$ 70,889,840**

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2022

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2022 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION							*For the year ended September 30, 2022*
Unexpected Appropriations							
Beginning Balance	$ -	$ -	$ 550	$718,831	$ 719,381	$ -	$ 719,381
Appropriations Received	-	-	-	5,000,000	5,000,000	-	5,000,000
Other Adjustments	-	-	-	(24)	(24)	-	(24)
Appropriations Used	-	-	-	(4,461,035)	(4,461,035)	-	(4,461,035)
Total Unexpended Appropriations	-	-	550	1,257,772	1,258,322	-	1,258,322
Cumulative Results of Operations							
Beginning Balance	$ 14,170,291	$ 7,114,547	$ 20,010	$ 11,005,509	$ 32,310,357	-	32,310,357
Appropriations Used	-	-	-	4,461,035	4,461,035	-	4,461,035
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Receipts	66,686	-	-	4,723	71,409	-	71,409
Intragovernmental Non-Exchange Revenue	47,612,547	11,533,025	-	-	59,145,572	-	59,145,572
Donations and Forfeitures of Cash/ Cash Equivalents	-	-	-	1,025	1,025	-	1,025
Transfers In/Out Without Reimbursement	118,184,713	(13,222,354)	(6,734)	12,054,560	117,010,185	-	117,010,185
Imputed Financing	40,523	-	-	410,372	450,895	-	450,895
Other	(433,149)	-	-	-	(433,149)	-	(433,149)
Net Cost of Operations	53,950,036	-	552	16,939,252	70,889,840	-	70,889,840
Net Change in Cumulative Results of Operations	111,521,284	(1,689,329)	(7,286)	(7,537)	109,817,132	-	109,817,132
Cumulative Results of Operations: Ending	**125,691,575**	**5,425,218**	**12,724**	**10,997,972**	**142,127,489**	**-**	**142,127,489**
Net Position, End of Period	**$ 125,691,575**	**$ 5,425,218**	**$ 13,274**	**$ 12,255,744**	**$ 143,385,811**	**$ -**	**$143,385,811**

NOTE 18. 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 (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2021 Total Funds From Dedicated Collections (Consolidated)
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	$ -	$ 11,962,726
Investments, Net	12,043,353	15,948,941	-	2,272,623	30,264,917	-	30,264,917
Accounts Receivable, Net	66,668,373	-	63	8,027,987	74,696,423	(74,641,576)	54,847
Advances and Prepayments	140,033	-	-	211,745	351,778	(30,969)	320,809
Total Intragovernmental Assets	87,950,900	14,080,105	24,162	15,220,677	117,275,844	(74,672,545)	42,603,299
Other than Intragovernmental							
Accounts Receivable, Net	24,150	-	-	25,443	49,593	-	49,593
General Property, Plant & Equipment, Net	235,843	-	-	3,073,878	3,309,721	-	3,309,721
Advances and Prepayments	1,063	-	-	677	1,740	-	1,740
Total Other than Intragovernmental	261,056	-	-	3,099,998	3,361,054	-	3,361,054
Total Assets	**$ 88,211,956**	**$ 14,080,105**	**$ 24,162**	**$ 18,320,675**	**$ 120,636,898**	**$ (74,672,545)**	**$ 45,964,353**
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	$ 66,842,477	$ 6,965,558	$ -	$ 1,047,849	$ 74,855,884	$ (74,641,576)	$ 214,308
Advances from Others and Deferred Revenue	273,158	-	-	26,426	299,584	(30,969)	268,615
Other Liabilities	14,843	-	-	292,637	307,480	-	307,480
Total Intragovernmental Liabilities	67,130,478	6,965,558	-	1,366,912	75,462,948	(74,672,545)	790,403
Other than Intragovernmental							
Accounts Payable	35,199	-	-	417,793	452,992	-	452,992
Federal Employee Benefits Payable	68,789	-	-	1,331,845	1,400,634	-	1,400,634
Accrued Grant Liabilities	6,653,133	-	2,158	2,975,925	9,631,216	-	9,631,216
Advances from Others and Deferred Revenue	104,204	-	-	151,595	255,799	-	255,799
Other Liabilities	49,862	-	1,444	352,264	403,570	-	403,570
Total Other than Intragovernmental Liabilities	6,911,187	-	3,602	5,229,422	12,144,211	-	12,144,211
Total Liabilities	**$ 74,041,665**	**$ 6,965,558**	**$ 3,602**	**$ 6,596,334**	**$ 87,607,159**	**$ (74,672,545)**	**$ 12,934,614**
Unexpended Appropriations	-	-	550	718,832	719,382	-	719,382
Cumulative Results of Operations	14,170,291	7,114,547	20,010	11,005,509	32,310,357	-	32,310,357
Total Liabilities and Net Position	**$ 88,211,956**	**$ 14,080,105**	**$ 24,162**	**$ 18,320,675**	**$ 120,636,898**	**$ (74,672,545)**	**$ 45,964,353**
STATEMENT OF NET COST							*For the year ended September 30, 2021*
Program Costs	$ 52,201,397	$ -	$ 9,623	$ 19,306,850	$ 71,517,870	$ (16,081)	$ 71,501,789
Less Earned Revenue	285,667	1	75	473,956	759,699	(16,081)	743,618
Net Program Costs	**51,915,730**	**(1)**	**9,548**	**18,832,894**	**70,758,171**	**-**	**70,758,171**
Costs Not Attributed to Programs	-	-	-	-	-	-	-
Net Cost of Operations	**$ 51,915,730**	**$ (1)**	**$ 9,548**	**$ 18,832,894**	**$ 70,758,171**	**$ -**	**$ 70,758,171**

NOTE 18. 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 (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2021 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION							*For the year ended September 30, 2021*
Unexpended Appropriations							
Beginning Balance	-	-	550	489,059	489,609	-	489,609
Appropriations Received	-	-	-	483,500	483,500	-	483,500
Other Adjustments	-	-	-	(50,235)	(50,235)	-	(50,235)
Appropriations Used	-	-	-	(203,492)	(203,492)	-	(203,492)
Total Unexpended Appropriations	-	-	550	718,832	719,382	-	719,382
Cumulative Results of Operations							
Beginning Balance	9,599,210	1,842,196	31,165	12,894,672	24,367,243	-	24,367,243
Appropriations Used	-	-	-	203,492	203,492	-	203,492
Other than Intragovernmental Non-Exchange Revenue:	-	-	-	-	-	-	-
Miscellaneous Taxes and Receipts	68,502	-	-	2,842	71,344	-	71,344
Intragovernmental Non-Exchange Revenue	43,468,264	8,463,962	-	-	51,932,226	-	51,932,226
Donations and Forfeitures of cash/ cash equivalents	-	-	-	1,272	1,272	-	1,272
Transfers in/(out) without reimbursement	13,979,568	(3,191,612)	(1,607)	16,349,823	27,136,172	-	27,136,172
Imputed Financing	35,096	-	-	386,302	421,398	-	421,398
Other	(1,064,619)	-	-	-	(1,064,619)	-	(1,064,619)
Net Cost of Operations	51,915,730	(1)	9,548	18,832,894	70,758,171	-	70,758,171
Net Change in Cumulative Results of Operations	**4,571,081**	**5,272,351**	**(11,155)**	**(1,889,163)**	**7,943,114**	**-**	**7,943,114**
Cumulative Results of Operations: Ending	**14,170,291**	**7,114,547**	**20,010**	**11,005,509**	**32,310,357**	**-**	**32,310,357**
Net Position, End of Period	**$ 14,170,291**	**$ 7,114,547**	**$ 20,560**	**$ 11,724,341**	**$ 33,029,739**	**$ -**	**$ 33,029,739**

NOTE 19. 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 2022, the DOT financial statements include actual excise tax revenue certified through March 31, 2022, and excise tax revenue allocated by OTA for the quarters ended June 30, 2022 and September 30, 2022. Actual excise tax collection data for the quarters ended June 30, 2022 and September 30, 2022 will not be available until after the statements are released. As a result, total taxes recognized in the DOT FY 2022 financial statements include the OTA allocations of $16.3 billion and $14.5 billion for the quarters ended June 30, 2022 and September 30, 2022, respectively, and the actual amounts certified through March 31, 2022 of $27.1 billion. 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 FY 2021 due to the delays in the processing of excise taxes due to the COVID-19 pandemic.

NOTE 19. EXCISE TAXES & OTHER NONEXCHANGE REVENUE *(CONT.)*

For the years ended September 30, 2022 and 2021, 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, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
HIGHWAY TRUST FUND		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	$ 27,944,943	$ 25,974,654
Diesel and Special Motor Fuels	13,053,167	12,362,870
Trucks	6,921,636	5,766,604
Investment Income	977,928	9,739
Fines and Penalties	(88)	343
Total Taxes	**48,897,586**	**44,114,210**
Less: Transfers	(1,306,950)	(746,050)
Other Nonexchange Revenue	21,823	100,447
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	**47,612,459**	**43,468,607**
FEDERAL AVIATION ADMINISTRATION		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	$8,129,148	$ 5,320,040
International Departure	1,946,903	1,904,241
Fuel (Air)	590,043	494,576
Waybill	737,117	478,058
Investment Income	156,400	280,320
Tax Refunds and Credits	(26,586)	(13,273)
Other	4,723	2,842
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	**11,537,748**	**8,466,804**
Other Miscellaneous Net Nonexchange Revenue	68,508	69,383
Total Nonexchange Revenue	**$ 59,218,715**	**$ 52,004,794**

NOTE 20. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with law.

The following budget terms are commonly used:

- **Appropriation:** A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- **Budgetary resources:** Amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
- **Distributed offsetting receipts:** 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).
- **Offsetting collections:** Payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.
- **Offsetting receipts:** Payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.
- **Obligation:** A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- **Outlay:** A payment to liquidate an obligation. Outlays generally are equal to cash disbursements and are the measure of Government spending.

AVAILABLE CONTRACT AUTHORITY

For the periods ended September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
Available Contract Authority at Year-End	$ 18,725,455	$ 16,660,324

UNDELIVERED ORDERS

DOLLARS IN THOUSANDS	2022		2021	
	Federal	Non-Federal	Federal	Non-Federal
Undelivered Orders at Year-End, unpaid	$ 1,103,982	$ 166,665,986	$ 1,043,080	$ 141,082,794
Undelivered Orders at Year-End, paid	$ 565,728	$ 1,945,205	$ 473,833	$ 2,981,876

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

DOT had $5.6 billion and $10.6 billion in borrowing authority in FY 2022 and FY 2021, respectively. Borrowing authority is indefinite and authorized under the FCRA, and is used to finance obligations during the current year, as needed. Under the provisions of the FCRA, 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.

NOTE 20. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES *(CONT.)*

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.

For the periods ended September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
Unobligated Balance brought forward, October 1	$ 99,077,983	$ 60,743,442
Adjustments to Unobligated Balance brought forward, October 1	(1,989)	(3,100)
Recoveries of Prior Year Obligations	2,382,656	8,815,505
Other Adjustments to Unobligated Balance brought forward, October 1	(2,246,607)	(7,712,989)
Unobligated Balance from prior year budget authority, net	**$ 99,212,043**	**$ 61,842,858**

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

The reconciliation for the year ended September 30, 2021, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2022, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2024, which presents the execution of the FY 2022 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 2023.

DOLLARS IN MILLIONS	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 275,197	$ 176,119	$ (30,646)	$135,926
Funds Not Reported in the Budget				
Expired Funds	(291)	-	-	-
Non-Budgetary Credit Reform Financing Accounts - Disbursements, Net	-	-	-	(2,691)
OMB Mapping	-	-	(380)	-
Other	(7)	6	-	3
Budget of the United States Government	**$ 274,899**	**$ 176,125**	**$ (31,026)**	**$133,238**

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.

OMB erroneously excluded the applicable offset related to the activity for the upward reestimates in the National Surface Transportation and Innovative Finance Bureau Highway Trust Fund Account on the appropriate line on the FY 2023 President's Budget when establishing the account. When DOT identified this error, OMB made the correction but it was not incorporated in time to be published in the FY 2023 budget.

NOTE 21. 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, 2022 and 2021:

DOLLARS IN THOUSANDS	2022	2021
SOURCES OF CASH COLLECTIONS		
Miscellaneous Receipts	$ 45,636	$ 31,577
User Fees	407	1,683
Fines, Penalties and Forfeitures	47,310	156,499
Total Cash Collections	**93,353**	**189,759**
Accrual Adjustment	11,641	(2,864)
Total Custodial Revenue	**104,994**	**186,895**
DISPOSITION OF COLLECTIONS		
Transferred to Treasury’s General Fund	77,509	85,382
Transferred to Highway Trust Fund	15,844	104,377
Increase (Decrease) in Amounts to be Transferred	11,641	(2,864)
Net Custodial Activity	**$ —**	**$ —**

NOTE 22. 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.

NOTE 22. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS *(CONT.)*

For the year ended September 30, 2022

DOLLARS IN THOUSANDS	Intragovernmental	With the Public	Total
NET OPERATING COST (SNC)	**$ 3,095,089**	**$ 113,141,491**	**$ 116,236,580**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	$ -	$ (1,349,937)	$ (1,349,937)
Property, Plant, and Equipment Disposal & Reevaluation	(13,294)	(344,923)	(358,217)
Cost of Goods Sold	44	(62,146)	(62,102)
Inventory Disposals Revaluations	-	21,090	21,090
Year-end Credit Reform Subsidy Re-estimates	593,830	-	593,830
Increase/(Decrease) in Assets			
Accounts Receivable, Net	(702,522)	(42)	(702,564)
Investments, Net	(7,583)	-	(7,583)
Advances and Prepayments	(11,678)	(1,036,881)	(1,048,559)
(Increase)/Decrease in Liabilities:			
Accounts Payable	(270,378)	(253,931)	(524,309)
Environmental and Disposal Liabilities	-	(11,337)	(11,337)
Federal Employee and Veteran Benefits Payable	-	85,689	85,689
Advances From Others and Deferred Revenue	(251,093)	20,013	(231,080)
Accrued Grant Liabilities	-	692,211	692,211
Other Liabilities	721,792	(401,831)	319,961
Financing Sources			
Imputed Costs	(496,000)	-	(496,000)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (436,882)**	**$ (2,642,025)**	**$ (3,078,907)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	$ 52,636	$ 1,753,745	$ 1,806,381
Acquisition of Inventory	-	76,865	76,865
Effect of Prior Year Credit Reform Subsidy Re-estimates	(1,441,005)	-	(1,441,005)
Financing Sources			
Donated Revenue	-	(1,025)	(1,025)
Transfers out (in) without reimbursements	(543,283)	-	(543,283)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**$ (1,931,652)**	**$ 1,829,585**	**$ (102,067)**
Miscellaneous Items			
FCRA Net Cost Impact	$ (399,206)	$ 392,249	$ (6,957)
Custodial/Non-exchange Revenue	1,866	(94,663)	(92,797)
Custodial/Exchange Revenue	91,992	(11,789)	80,203
Non-Entity Activity	447,313	-	447,313
Appropriated Receipts for Trust/Special Funds	213,023	-	213,023
Total Other Reconciling Items	**354,988**	**285,797**	**640,785**
Total Net Outlays	**$ 1,081,543**	**$ 112,614,848**	**$ 113,696,391**
Outlays, Net (SBR 4190)			233,432,830
Distributed Offsetting Receipts (SBR 4200)			(119,736,439)
Budgetary Agency Outlays, Net (SBR)			**$ 113,696,391**

NOTE 22. 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
Investments, Net	(4,459)	—	(4,459)
Advances and Prepayments	(4,500)	1,627,039	1,622,539
(Increase)/Decrease in Liabilities:			
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 (SBR 4190)			135,926,326
Distributed Offsetting Receipts (SBR 4200)			(30,646,484)
Budgetary Agency Outlays, Net (SBR)			**$ 105,279,842**

NOTE 23. 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, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
Fiduciary Net Assets, Beginning of Year	$ 2,018	$ 6,819
Contributions	2,370	3
Investment Earnings	146	(1)
Disbursements to and on Behalf of Beneficiaries	(2,077)	(4,803)
Increases/(Decreases) in Fiduciary Net Assets	439	(4,801)
Fiduciary Net Assets, End of Year	**$ 2,457**	**$ 2,018**

FIDUCIARY NET ASSETS

As of September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
Fiduciary Fund Balance with Treasury	$ 1,354	$ 1,061
Investments in Treasury Securities	1,103	957
Total Fiduciary Net Assets	**$ 2,457**	**$ 2,018**

NOTE 24. DISCLOSURE ENTITIES

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

The federal government (through the Department of Transportation) owns 100% of Amtrak's preferred stock (109,396,994 shares of $100 par value). The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock (see Section 415(c), Pub. L. 105-134, 111 Stat. 2590 (December 2, 1997)). The Act also eliminated further issuance of preferred stock to the Department. Each share of preferred stock is convertible into 10 shares of common stock. Four common stockholders (private sector corporations) own 9,385,694 shares of $10 par value common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events."[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 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, 2022, net costs related to Amtrak grants were $3.2 billion, total budgetary outlays were $2.3 billion, and the remaining undelivered order balance for Amtrak is $6.7 billion. For the period ended September 30, 2021, net costs related to Amtrak grants was $3.2 billion, total budgetary outlays were $4.7 billion, and the remaining undelivered order balance for Amtrak was $2.9 billion.

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

In each fiscal year for which Amtrak draws down funds under its 2016 RRIF loan and/or makes repayments towards the loan, the Department records amounts paid out to Amtrak and amounts Amtrak repays to the Department in its financial system. The RRIF loan is accounted for in accordance with SFFAS 2 (see Note 6). As of September 30, 2022, and September 30, 2021, the undelivered order balance of the RRIF loan is $1.9 billion. There were no disbursements as of September 30, 2022 and September 30, 2021.

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

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 24. DISCLOSURE ENTITIES *(CONT.)*

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 is secured with real property and/or equipment. In general, the federal government's losses in a bankruptcy would be offset by the value of the collateral. The risk of loss and delay in full and timely payments due to bankruptcy are part of most credit relationships, and are not unique to the federal government/Amtrak credit relationship.

NOTE 25. COVID-19 ACTIVITY

The 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 (TIG) 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 AATF for operations in the Bipartisan Budget Act of 2018 (P.L. 115–123), up to $25 million may be repurposed to prevent, prepare for, and respond to the COVID-19 public health emergency. FRA received $1 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 USMMA, 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.

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, 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 TIG 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 CRRSAA 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.

There were no additonal funding received in FY 2022 for COVID-19 relief efforts.

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, 2022 and 2021. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions.

NOTE 25. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
BALANCE SHEET								*As of September 30, 2022*
Assets								
Intragovernmental								
Fund Balance with Treasury	$ 20,250,126	$ 6,710,922	$ 5,340,051	$ 2,015	$ 2,514,967	$ 340	$ 3,500	$ 34,821,921
Advances and Prepayments	-	949	-	900	42	-	-	1,891
Total Intragovernmental	**20,250,126**	**6,711,871**	**5,340,051**	**2,915**	**2,515,009**	**340**	**3,500**	**34,823,812**
Other than Intragovernmental								
Accounts Receivable, Net	1	-	-	-	167	-	-	168
Advances, Prepayments, and Other Assets	-	-	-	263,133	1,789	-	-	264,922
Total Other than Intergovernmental	1	-	-	263,133	1,956	-	-	265,090
Total Assets	**$ 20,250,127**	**$ 6,711,871**	**$ 5,340,051**	**$ 266,048**	**$ 2,516,965**	**$ 340**	**$ 3,500**	**$ 35,088,902**
Liabilities and Net Position								
Intragovernmental								
Other Liabilities	$ 35	$ 20	$ -	$ -	$ -	$ -	$ -	$ 55
Total Intragovernmental	**35**	**20**	**-**	**-**	**-**	**-**	**-**	**55**
Other than Intragovernmental								
Accounts Payable	$ -	$ 4,360	$ -	$ -	$ 199,957	$ -	$ -	$ 204,317
Federal Employee and Benefits Payable	453	106						559
Grant Accrual	880,815	5,714,737	-	-	-	-	-	6,595,552
Other Liabilities	-	54	-	-	-	-	-	54
Total Other than Intragovernmental	881,268	5,719,257	-	-	199,957	-	-	6,800,482
Total Liabilities	**$ 881,303**	**$ 5,719,277**	**$ -**	**$ -**	**$ 199,957**	**$ -**	**$ -**	**$ 6,800,537**
Unexpended Appropriations - Funds from Dedicated Collections	$ -	$ -	$ -	$ -	$ 662	$ -	$ -	$ 662
Unexpended Appropriations - Fund from Other than Dedicated Collections	19,369,311	798,074	5,340,051	266,048	2,312,179	340	3,500	28,089,503
Cumulative Results of Operations - Funds From Dedicated Collections	-	193,594	-	-	-	-		193,594
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(487)	926	-	-	4,167	-	-	4,606
Total Net Position	**19,368,824**	**992,594**	**5,340,051**	**266,048**	**2,317,008**	**340**	**3,500**	**28,288,365**
Total Liabilities and Net Position	**$ 20,250,127**	**$ 6,711,871**	**$ 5,340,051**	**$ 266,048**	**$ 2,516,965**	**$ 340**	**$ 3,500**	**$ 35,088,902**

NOTE 25. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
								For the period ended September 30, 2022
STATEMENT OF NET COSTS								
Program Costs	$ 23,919,734	$ 4,215,646	$ 2,270,616	$ 1,014,783	$ 658,980	$ 16	$ 1,074	$ 32,080,849
Less Earned Revenue	-	-	-	-	-	-	-	-
Net Cost of Operations	**$ 23,919,734**	**$ 4,215,646**	**$ 2,270,616**	**$ 1,014,783**	**$ 658,980**	**$ 16**	**$ 1,074**	**$32,080,849**
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations								
Beginning Balance (Funds from Dedicated Collections)	$ -	$ -	$ -	$ -	$ 1,451	$ -	$ -	$ 1,451
Beginning Balance (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
Appropriations Tranferred-In/Out (Funds from Other than Dedicated Collections)	-	-	(20,393)	-	-	-	-	(20,393)
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	(789)	-	-	(789)
Appropriations Used (Funds from Other than Dedicated Collections)	(23,919,106)	(4,040,799)	(2,270,616)	(1,014,783)	(658,358)	(16)	(1,074)	(31,904,752)
Total Unexpended Appropriations (Funds from Dedicated Collections)	**-**	**-**	**-**	**-**	**662**	**-**	**-**	**662**
Total Unexpended Appropriations (Funds from Other than Dedicated Collections)	**19,369,311**	**798,074**	**5,340,051**	**266,048**	**2,312,179**	**340**	**3,500**	**28,089,503**
Total Unexpended Appropriations - Ending	**$ 19,369,311**	**$ 798,074**	**$ 5,340,051**	**$ 266,048**	**$ 2,312,841**	**$ 340**	**$ 3,500**	**$ 28,090,165**
Cumulative Results of Operations								
Beginning Balance (Funds from Dedicated Collections)	$ -	368,363	$ -	$ -	$ -	$ -	$ -	$ 368,363
Beginning Balance (Funds from Other than Dedicated Collections)	(198)	966	-	-	4,000	-	-	4,768
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	789	-	-	789
Appropriations Used (Funds from Other than Dedicated Collections)	23,919,106	4,040,799	2,270,616	1,014,783	658,358	16	1,074	31,904,752
Transfers-in/(out) Without Reimbursement (Funds from Dedicated Collections)	-	(1)	-	-	-	-	-	(1)
Imputed Financing (Funds from Dedicated Collections)	-	12	-	-	-	-	-	12
Imputed Financing (Funds from Other than Dedicated Collections)	339	27	-	-	-	-	-	366
Total (Funds From Dedicated Collections)	-	368,374	-	-	789	-	-	369,163
Total (Funds from Other than Dedicated Collections)	23,919,247	4,041,792	2,270,616	1,014,783	662,358	16	1,074	31,909,886
Net Cost of Operations (Funds from Dedicated Collections)	-	174,780	-	-	789	-	-	175,569

NOTE 25. COVID-19 ACTIVITY *(CONT.)*

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
Net Cost of Operations (Funds from Other than Dedicated Collections)	23,919,734	4,040,866	2,270,616	1,014,783	658,191	16	1,074	31,905,280
Cumulative Results of Operations (Funds from Dedicated Collections)	**-**	**193,594**	**-**	**-**	**-**	**-**	**-**	**193,594**
Cumulative Results of Operations (Funds from Other than Dedicated Collections)	**(487)**	**926**	**-**	**-**	**4,167**	**-**	**-**	**4,606**
Total Cumulative Results of Operations - Ending	**$ (487)**	**$ 194,520**	**$ -**	**$ -**	**$ 4,167**	**$ -**	**$ -**	**$ 198,200**
Total Net Position End of Period (Funds from Dedicated Collections)	**-**	**193,594**	**-**	**-**	**662**	**-**	**-**	**194,256**
Total Net Position End of Period (Funds from Other than Dedicated Collections)	**19,368,824**	**799,000**	**5,340,051**	**266,048**	**2,316,346**	**340**	**3,500**	**28,094,109**
Total Net Position	**$ 19,368,824**	**$ 992,594**	**$ 5,340,051**	**$ 266,048**	**$ 2,317,008**	**$ 340**	**$ 3,500**	**$ 28,288,365**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the period ended September 30, 2022

	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2022 Total Programs and Activities
Budgetary resources								
Unobligated Balance From Prior Year Budget Authority, Net	$ 29,988,175	$ 3,994,444	$ 5,787,887	$ 2,000	$ 2,589,459	$ 315	$ 4,574	$ 42,366,854
Appropriations	-	-	-	-	-	-	-	-
Spending Authority From Offsetting Collections	-	-	-	-	-	-	-	-
Total Budgetary Resources	**$ 29,988,175**	**$ 3,994,444**	**$ 5,787,887**	**$ 2,000**	**$ 2,589,459**	**$ 315**	**$ 4,574**	**$ 42,366,854**
Status of Budgetary Resources								
New Obligations and Upward Adjustments	$26,358,641	$ 3,799,073	$ 2,962,049	$ -	$ 288,068	$ -	$ 1,074	$ 33,408,905
Unobligated Balance, End of Year								
Apportioned Unexpired Accounts	3,629,534	176,817	2,825,838	2,000	2,300,564	-	3,500	8,938,253
Unapportioned Unexpired Accounts	-	17,566			827	-		18,393
Expired Unobligated Balance	-	988	-	-	-	315	-	1,303
Unobligated Balance, End of Year	3,629,534	195,371	2,825,838	2,000	2,301,391	315	3,500	8,957,949
Total Budgetary Resources	**$ 29,988,175**	**$ 3,994,444**	**$ 5,787,887**	**$ 2,000**	**$ 2,589,459**	**$ 315**	**$ 4,574**	**$ 42,366,854**
Outlays, Net								
Outlays, Net (total)	$ 24,116,181	$4,934,429	$2,714,566	$ 1,001	$ 302,947	$ 16	$ 1,074	$ 32,070,214
Distributed Offsetting Receipts	-	-	-	-	-	-	-	-
Agency Outlays, Net	**$ 24,116,181**	**$ 4,934,429**	**$ 2,714,566**	**$ 1,001**	**$ 302,947**	**$ 16**	**$ 1,074**	**$ 32,070,214**

NOTE 25. 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 25. 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 25. 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*
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 25. COVID-19 ACTIVITY *(CONT.)*

BUDGETARY ACTIVITY

For the years ended September 30, 2022 and 2021

DOLLARS IN THOUSANDS	2022	2021
Budgetary Resources: Unobligated balance carried forward from the prior year	$ 42,135,895	$ 2,400,646
New Budget Authority (+)	-	72,197,688
Rescisssions (-) and other changes (+/-) to budgetary resources	230,960	197,580
Budgetary Resources Obligated (-)	(33,408,905)	(32,660,019)
Budgetary Resources: Ending unobligated balance to be carried forward	$8,957,950	$42,135,895
Outlays, Net (total)	**$ 32,070,214**	**$ 25,246,194**

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified 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 Financial Report 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 Financial Report line items. A copy of the 2021 FR can be found on the Bureau of the Fiscal Service Reports, Statements & Publications website and a copy of the 2022 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 2022 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2022 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
							Non-Federal Costs
Gross Costs	$118,506,136	$ 67,719,335	$ -	$ 46,406,071	$ -	$ 114,125,406	Non-Federal Gross Cost
		67,719,335	-	46,406,071	-	114,125,406	*Total Non-Federal Costs*
							Intragovernmental Costs
		2,027,238	-	167,341	-	2,194,579	Benefit Program Costs
		450,895	-	45,106	-	496,001	Imputed Costs
		1,133,140	(16,737)	191,354	(624,841)	682,916	Buy/Sell Costs
		50,968	(1,815)	505	(32,418)	17,240	Purchase of Assets
		26	-	525,223	-	525,249	Borrowing and Other Interest Expense
		437,267	-	44,718	-	481,985	Other Expenses (w/o Reciprocals)
		(50,968)	1,815	(505)	32,418	(17,240)	Purchase of Assets Offset
		4,048,566	(16,737)	973,742	(624,841)	4,380,730	*Total Intragovernmental Costs*

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS *(CONT.)*

FY 2022 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2022 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Total Gross Costs	118,506,136	71,767,901	(16,737)	47,379,813	(624,841)	118,506,136	**Total Reclassified Gross Costs**
Earned Revenue	2,269,556	464,961	-	518,953	-	983,914	Non-Federal Earned Revenue
							Intragovernmental Revenue
		389,581	(16,737)	1,388,102	(624,841)	1,136,105	Buy/Sell Revenue
		23,520	-	-	-	23,520	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		-	-	126,017	-	126,017	Borrowing and Other Interest Revenue
		413,101	(16,737)	1,514,119	(624,841)	1,285,642	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	2,269,556	878,062	(16,737)	2,033,072	(624,841)	2,269,556	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 116,236,580**	**$ 70,889,839**	**$ -**	**$ 45,346,741**	**$ -**	**$ 116,236,580**	**Net Cost of Operations**
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	20,432	-	-	20,426	-	20,426	Non-Federal Earned Revenue
		-	-	6	-	6	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	20,432	-	-	20,432	-	20,432	*Total Reclassified Exchange Custodial Collections*
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(20,432)	-	-	(20,432)	-	(20,432)	Reclassified Disposition of Custodial Collections

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS *(CONT.)*

FY 2022 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2022 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPROPRIATIONS							
Unexpended Appropriations, Beginning Balance	$ 96,096,511	$ 719,382	$ -	$ 95,377,129	$ -	$ 96,096,511	Net Position, Beginning of Period
Appropriations Received	180,621,270	5,000,000	-	175,621,270	-	180,621,270	Appropriations Received as Adjusted
Appropriations Transferred In/Out	(495)	-	-	10,000	-	10,000	Non-Expenditure Transfers-In of Unexpended Appropriations
		-	-	(10,495)	-	(10,495)	Non-Expenditure Transfers-out of Unexpended Appropriations
Total Appropriations Transferred In/Out	(495)	-	-	(495)	-	(495)	*Total Reclassified Appropriations Transferred In/Out*
Other Adjustments	(289,802)	(25)	-	(289,777)	-	(289,802)	Appropriations Received as Adjusted
Appropriations Used	(165,549,333)	(4,461,035)	-	(161,088,298)	-	(165,549,333)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	**$ 110,878,151**	**$ 1,258,322**	**$ -**	**$ 109,619,829**	**$ -**	**$ 110,878,151**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	43,418,683	32,310,357	-	11,108,326	-	43,418,683	Net Position, Beginning of Period
Other Adjustments	(416)	-	-	(416)	-	(416)	Revenue and Other Financing Sources - Cancellations
Appropriations Used	165,549,333	4,461,035	-	161,088,298	-	165,549,333	Appropriation Expended (Federal)

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS *(CONT.)*

FY 2022 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2022 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Non-Exchange Revenue	59,218,715						***Non-Federal Non-Exchange Revenues***
		71,409	-	1,733	-	73,142	Other Taxes and Receipts
		71,409	-	1,733	-	73,142	***Total Non-Federal Non-Exchange Revenues***
							Federal Non-Exchange Revenue
		1,134,327	-	-	-	1,134,327	Federal Securities Interest Revenue
		76	-	-	-	76	Borrowings and Other Interest Revenue
		18,754	-	-	-	18,754	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		2,994	-	-	-	2,994	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		57,989,422	-	-	-	57,989,422	Other Taxes and Receipts
		59,145,573	-	-	-	59,145,573	***Total Federal Non-Exchange Revenue***
Total Non-Exchange Revenue	59,218,715	59,216,982	-	1,733	-	59,218,715	*Total Reclassified Non-Exchange Revenues*
Donations and Forfeitures of Cash/ Cash Equivalents	1,025	1,025	-	-	-	1,025	Donations and Forfeitures of Cash/ Cash Equivalents
Transfers-In/ (Out) Without Reimbursement	66,578	214,735,280	(96,407,178)	1,358,187	(119,619,559)	66,730	Transfers-In w/o Reimbursement
		(97,725,095)	96,407,178	(118,301,794)	119,619,559	(152)	Transfers-Out w/o Reimbursement
		117,010,185	-	(116,943,607)	-	66,578	*Total Reclassified Transfers-In/Out w/o Reimbursement*
Donations and Forfeitures of Property	24,868	-	-	24,868	-	24,868	Donations and Foreitures of Property

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS *(CONT.)*

FY 2022 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2022 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Imputed Financing	496,001	450,895	-	45,106	-	496,001	Imputed Financing Sources (Federal)
Other	(513,430)	-	-	(1,337,250)	-	(1,337,250)	Non-Entity Collections Transferred to the General Fund
		-	-	729,348	-	729,348	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(523,768)	-	523,768	-	-	Borrowings and Other Interest Revenue (Non-exchange)
		90,619	-	3,853	-	94,472	Other Taxes and Receipts
Total Other	(513,430)	(433,149)	-	(80,281)	-	(513,430)	*Total Reclassified Other*
Net Cost of Operations	**116,236,580**	**70,889,840**	-	**45,346,740**	**-**	**116,236,580**	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	**152,024,777**	**142,127,490**	-	**9,897,287**	**-**	**152,024,777**	**Net Position – Ending Balance**
Total Net Position	**$ 262,902,928**	**$ 143,385,812**	$-	**$ 119,517,116**	**$ -**	**$ 262,902,928**	**Total Net Position**
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	84,562	-	-	84,562	-	84,562	Other Taxes and Receipts

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS *(CONT.)*

FY 2022 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2022 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(84,562)	-	-	(54,050)	-	(54,050)	Non-Entity Custodial Collections Transferred to the General Fund
		-	-	(18,754)	-	(18,754)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(2,994)	-	(2,994)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(8,764)	-	(8,764)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Total Disposition of Non-Exchange Custodial Collections	(84,562)	-	-	(84,562)	-	(84,562)	*Total Reclassified Disposition of Non-Exchange Custodial Collections*

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2022

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	$ 617,439	$ 719,730
	Unstaffed Faculties	Long range radars; unstaffed infrastructure and fuel storage tanks	1,107,515	1,226,097
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	44,138	17,156
	Buildings	Real property structure—U.S. Merchant Marine Academy	67,913	67,913
		Total	**$ 1,837,005**	**$ 2,030,896**

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 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. The MARAD ship managers prioritize preventive maintenance actions, repair, and upgrade actions in accordance with the activities' impact to readiness. Exclusions were made for environmental initiatives work not normally considered maintenance because these represent enhancements for energy savings impacting the environment or other environmental impacts.

NDRF and fleet facilities are required to maintain updated facility condition assessment documentation and fleet craft servicing plans to ensure facilities are maintaining acceptable operational and infrastructural conditions for mission accomplishment. In support of this, appropriate planning and budgeting is performed throughout the year. Priorities are assigned based upon annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The 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.

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

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, 2022

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year Budget Authority, Net	$ 21,525,936	$ 10,024,552	$ 46,412,513	$ 1,326,635	$ 19,922,407	$ 99,212,043
Appropriations (Note 1W)	-	20,505,993	7,152,764	1,727,734	161,457,500	190,843,991
Borrowing Authority	-	-	-	52,820	5,546,954	5,599,774
Contract Authority	56,939,400	3,350,000	14,448,081	-	1,960,926	76,698,407
Spending Authority From Offsetting Collections	266,204	7,169,001	1,532	932,325	1,475,811	9,844,873
Total Budgetary Resources	**$ 78,731,540**	**$ 41,049,546**	**$ 68,014,890**	**$ 4,039,514**	**$ 190,363,598**	**$ 382,199,088**
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	$ 56,165,174	$ 30,275,337	$ 40,960,274	$1,886,911	$145,647,889	$274,935,585
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	3,146,256	7,937,515	26,852,699	1,920,833	38,595,992	78,453,295
Unapportioned, Unexpired Accounts	19,420,110	2,675,069	199,615	225,654	5,993,707	28,514,155
Unexpired Unobligated Balance, End of Year	22,566,366	10,612,584	27,052,314	2,146,487	44,589,699	106,967,450
Expired Unobligated Balance, End of Year	-	161,625	2,302	6,116	126,010	296,053
Unobligated Balance, End of Year	22,566,366	10,774,209	27,054,616	2,152,603	44,715,709	107,263,503
Total Budgetary Resources	**$ 78,731,540**	**$ 41,049,546**	**$ 68,014,890**	**$ 4,039,514**	**$ 190,363,598**	**$ 382,199,088**
OUTLAYS, NET						
Outlays, Net	$ 44,130,597	$ 23,071,125	$ 34,077,316	$ 738,570	$ 131,415,222	$ 233,432,830
Distributed Offsetting Receipts	-	(9,669)	(14,366)	(50,225)	(119,662,179)	(119,736,439)
Agency Outlays, Net	**$ 44,130,597**	**$ 23,061,456**	**$ 34,062,950**	**$ 688,345**	**$ 11,753,043**	**$ 113,696,391**
Disbursements, Net				**$ 41,860**	**$ 1,733,392**	**$ 1,775,252**

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

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)**

MARINE WAR RISK INSURANCE PROGRAM (UNAUDITED)

For FY 2022 and FY 2021, MARAD covered nonpremium war risk insurance with a total coverage per year of $372 million and $279 million, respectively, for DoD controlled vessels. 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 economic security and foreign policy purposes. For FY 2022 and FY 2021, there were no outstanding policies or obligations for the premium based war risk insurance program.

LAND (UNAUDITED)

	PPE Land and Stewardship Land Estimated Acreage			PPE Land and Stewardship Land Estimated Acreage by Predominant Use			
FY 2022	**PPE Land and Land Rights**	**Stewardship Land and Land Rights**	**Total Estimated Acreage**	**Commercial**	**Conservation and Preservation**	**Operational**	**Total Estimated Acreage**
Start of Current Year (October 1, 2021)	114,000	64	114,064	11,802	20	102,242	114,064
End of Current Period/Year (September 30, 2022)	112,705	64	112,769	11,802	20	100,947	112,769
	PPE Land Held for Disposal or Exchange	**Stewardship Land Held for Disposal or Exchange**	**Total Estimated Acreage**				
Start of Current Year (October 1, 2021)	968	-	968	-	-	968	968
End of Current Period/Year (September 30, 2022)	971	-	971	-	-	971	971

The FAA has 79,838 acres of PPE land, of which 11,802 is for commercial use and 68,036 is for operational uses. FAA also has 971 acres of operational use PPE land held for disposal. The FAA acquires land and permanent land rights when there is an operational requirement in support of the FAA's mission, to provide the safest most efficient aerospace system in the world. This includes land to provide space for FAA facilities and equipment, such as navigational aids and communication systems that are location specific, meaning there is nowhere else the equipment can be placed that will provide the service required. Permanent land rights include utility and access easements.

On June 7, 1987, Washington Dulles International and Washington National Airport were transferred to the Metropolitan Washington Airports Authority under a 50-year lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of P.L. 99-500. All property was transferred to the Metropolitan Washington Airports Authority, and the Federal government holds title to the lease. In 2003, the Secretary of Transportation approved a 30-year extension of the lease agreement. This land is therefore categorized as commercial use land.

To acquire land, the FAA must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, also known as the Uniform Relocation Act (URA). Provisions of the URA are mandatory and provide minimum real property acquisition policies for appraisal, negotiation, and property possession standards and requirements. 49 CFR 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs, promulgates rules to implement URA.

It is policy of the FAA to purchase real property interests that are in the best interest of the FAA and at fair and reasonable prices. A lease versus purchase analysis must be completed for all prospective real property land acquisitions. All lease versus purchase analyses must take into consideration the anticipated term to satisfy the FAA's needs. The lease versus purchase analysis is used to determine the most cost-effective acquisition strategy.

It is also FAA policy to identify and evaluate environmental conditions prior to the acquisition or disposal of land to inform decision-making and minimize potential environmental liabilities.

FRA has 32,772 acres of operational use PPE land and land rights. FRA's Transportation Technology Center (TTC) near Pueblo, Colorado, is 50 square miles. The land supports Research and Development (R&D) and training for FRA. The TTC mission is "to maintain state-of-the-art research and test capabilities to support DOT and other governmental and private entities in problem solving, personnel training, product evaluation and the support of research and development of new emerging technologies to improve the safety, security, efficiency and environmental impact of transportation."

LAND (UNAUDITED) *(CONT.)*

FRA has a contract with a private contractor to operate the TTC, including the ability to order R&D and training services from the Contractor.

FRA has lease rights. Beginning in 1970, FRA entered into a 150 year lease with State of Colorado, comprised of a 50 year base period and two 50 year options. The consideration to Colorado was $10. FRA has exercised the first of the two options. As a result, the current lease expiration date extends to 2070, with one 50 year option period remaining.

FRA has 20 acres of stewardship land held for conservation and preservation use. FRA's Washington Union Station (WUS) is a hertiage asset. In the 1981 Union Station Redevelopment Act, Congress directed the Secretary of Transportation, acting through FRA, to redevelop and rehabilitate WUS. The 1981 Act included the following goal: "(d) Withdrawal by the Federal Government from any active role in the operation and management of the Union Station complex as soon as practical and at the least possible Federal expense consistent with the goals set forth in subsections (a) through (c) of this section."

FRA has 99-year lease with Union Station Redevelopment Corporation, a private Washington D.C. non-profit corporation. The lease expires in 2084. The lease contains the terms and policies for the WUS. FRA acquired fee simple ownership of the WUS complex in 1988.

MARAD has 139 acres of operational use PPE land and Sterwardship land, of which 95 acres is PPE land and 44 acres is Stewardship land. The USMMA is located and operated on federally owed land since 1942 and resides on 82 acres of land of which 44 acres of the land has 35 buildings and the William S. Barstow house residing on the land. The 35 buildings that encircle the central quadrangle of the USMMA and the William S. Barstow house are heritage assets. The Barstow house is the site of the American Merchant Marine Museum. 46 CFR 386 governs the management of buildings and grounds of USMMA.

MARAD purchased a private parcel of land within the boundary of the USMMA Campus May 26, 2021. The purchase of the property put the parcel of land under federal control and enhances USMMA security prosture by eliminating private residence within the campus boundary.

MARAD acquired the Enterprise lease that was executed December 30, 2002. The structures that reside on this lease are owned by MARAD and were errected at the beginning of the lease term. These structures are owned but are located on leased land. The Secretary's authority under 46 U.S.C. § 50303 provides that the Secretary has the authority "to operate or lease docks, wharves, piers, vessels, or real property under the Secretary's control, except that the prior consent of the Secretary of Defense for such use shall be required with respect to any vessel in the Ready Reserve Force or in the National Defense Reserve Fleet which is maintained in a retention status for the Department of Defense." MARAD owns and operates PPE land in support of the NDRF.

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	**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	**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 (FMFIA)

	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	2018	2019	2020	2021	2022
SURFACE TRANSPORTATION					
Federal Highway Administration					
Federal Aid Highways (HTF)	$ 42,305,868	$ 43,223,017	$ 46,801,719	$ 45,965,708	$ 48,864,197
Other Highway Trust Fund Programs	37,572	52,346	47,151	25,553	24,132
General Fund Programs	258,033	448	1,098	5,179	209
Appalachian Development System	202,311	168,375	34,967	118,317	23,672
Federal Motor Carrier	-	-	-	-	2,531
Total Federal Highway Administration	**42,803,784**	**43,444,186**	**46,884,935**	**46,114,757**	**48,914,741**
Federal Transit Administration					
Transit Infrastructure Grants	-	-	-	-	345,451
Discretionary Grants	3,482	3,482	-	-	-
Formula Grants	13,696	8,438	14,800	8,568	2,352
Capital Investment Grants	1,660,848	956,951	2,133,871	1,897,603	1,695,054
Washington Metro Area Transit Authority	180,696	159,824	178,095	130,243	157,238
Formula and Bus Grants	10,106,692	10,511,783	9,933,833	7,961,356	7,097,413
Total Federal Transit Administration	**11,965,414**	**11,640,478**	**12,260,599**	**9,997,770**	**9,297,508**
Total Surface Transportation Non-Federal Physical Property Investments	**54,769,198**	**55,084,664**	**59,145,534**	**56,112,527**	**58,212,249**
AIR TRANSPORTATION					
Federal Aviation Administration					
Airport Improvement Program	3,166,777	3,499,162	11,300,066	8,056,478	3,784,424
Relief for Airports	-	-	-	3,169,500	4,040,373
Airport Infrastructure Grants Program	-	-	-	-	22,898
Airport Terminal Program	-	-	-	-	9,156
Total Air Transportation Non-Federal Physical Property Investments	**3,166,777**	**3,499,162**	**11,300,066**	**11,225,978**	**7,856,851**
Total Non-Federal Physical Property Investments	**$ 57,935,975**	**$ 58,583,826**	**$ 70,445,600**	**$ 67,338,505**	**$ 66,069,100**

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 (NHS), 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.

Non-Federal Physical Property Annual Stewardship Information Transportation Investments (Unaudited) *(CONT.)*

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.

FTA provides grants for transit related infrastructure projects under the Transit Infrastructure Grants (TIG) program.

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 Airport Improvement Program (AIP) to maintain a safe and efficient nationwide system of public-use airports that meet both present and future needs of civil aeronautics. FAA works to improve the infrastructure of the Nation's airports, in cooperation with airport authorities, State and local governments, and metropolitan planning authorities. FAA makes grants to airports under the Relief for Airports program to prevent, prepare for, and respond to coronavirus. In addition, FAA provides grants for airport-related infrastructure projects under the Airport Infrastructure Grants program and provides competitive grants under the Airport Terminal Program for airport terminal development projects that address the aging infrastructure of the nation's airports.

Inspector General's FY 2023 Top Management Challenges

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 2, 2022

Subject: INFORMATION: DOT's Fiscal Year 2023 Top Management Challenges
Report No. PT2023003

From: Eric J. Soskin
Inspector General

To: The Secretary
Deputy Secretary

The U.S. transportation system is at the heart of national prosperity, national security, and national identity and central to our daily lives. The Department of Transportation's (DOT) mission is to deliver the world's leading transportation system, serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods.

The Office of Inspector General (OIG) supports the Department's mission by conducting investigations and audits on behalf of the American public. Each year, as required by law, we report on DOT's top management challenges to help the Department focus attention on effectively managing its programs and operations, while also advancing its strategic goals. These goals include improving safety, supporting economic strength and global competitiveness, promoting equity and sustainability, fostering transformation, and strengthening organizational excellence.

Alongside DOT's longstanding safety and policy responsibilities, the Department is now embarking on a significant effort to improve our Nation's infrastructure through the Infrastructure Investment and Jobs Act (IIJA). IIJA authorizes $660 billion in transportation funding through fiscal year 2026. As the Department is aware, the volume of IIJA funds, coupled with the creation of new programs and priorities, presents significant implementation and oversight challenges. Simultaneously, DOT faces a shifting macroeconomic landscape with regard to inflation, labor, and supply chain issues. The impacts of the COVID-19 pandemic on the transportation industry and the Department's workforce—including DOT's oversight of more than $106 billion in COVID-19 relief funding—present other challenges. Accordingly, our report discusses IIJA implementation and COVID-19 impacts within the management challenge areas we identified.

Within this context, safety remains a top priority. Sustaining the Department's attention on aviation safety challenges is paramount, including strengthening its oversight of aircraft certification processes and air carrier safety programs. In addition, as travelers return to the skies in record numbers, DOT will need to address challenges in managing the National

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Airspace System (NAS), including ensuring sufficient air traffic controller staffing and protecting passengers from unfair ticketing practices.

Moreover, a rise in fatalities on our Nation's roads in recent years calls for effective implementation of safety programs created or augmented through IIJA funding, whether focused on roadways alone or on the interaction of transportation modes, such as railroad crossings. At the same time, DOT will need to improve its oversight of surface transportation safety programs.

Without a doubt, the passage of IIJA offers an opportunity to supercharge the Department's longstanding efforts to modernize, maintain, and repair our Nation's transportation infrastructure, including roads, bridges, rail, airport runways, and more. However, DOT agencies will face significant challenges in effectively identifying and managing risks while enhancing project award and oversight processes. In addition, the Department must balance the need to complete IIJA infrastructure projects while meeting statutory priorities and other requirements set forth in Executive Orders, such as addressing the impact of climate change, advancing equity, and promoting resilience. DOT also faces challenges addressing high-risk cybersecurity vulnerabilities that attackers could exploit to access the Department's information systems.

The large influx of IIJA and COVID-19 relief funds further requires DOT to hone its contract and grant award and administration practices. In particular, it will be critical to establish sound pricing and verify the appropriateness of expenditures for DOT-funded contracts and grants—including ensuring that projects comply with laws and maintaining controls to detect and reduce improper payments. The Department must also take strong steps to bolster its outreach and oversight to detect and prevent fraud—such as bid rigging and disadvantaged business enterprise fraud—given the increased risk posed by IIJA and COVID-19 relief funding.

As the Department addresses these and other challenges, it will also be focused on another critical goal: fostering transformation and innovation. DOT must proactively address legislative and technological changes in the transportation environment—such as those related to autonomous vehicles, commercial space operations and unmanned aircraft systems—that significantly affect our Nation's future economic prosperity, industry competitiveness, and security. A fundamental challenge will be to carefully balance the Department's dedication to safety with innovation principles.

Ultimately, to meet these top management challenges—and others that arise—the Department must acquire and retain a sufficient workforce with the knowledge, skills, and abilities to execute its mission. As DOT works to achieve its IIJA hiring goals, a key component of retaining staff and managing the efficiency of its workforce will be maximizing the benefits of its increasingly hybrid work environment.

We considered several criteria to identify the Department's top management challenges for fiscal year 2023, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

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
- Financial Management
- Information Security
- Fraud Detection and Prevention
- 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 IIJA and COVID-19 relief funds. We appreciate the Department's commitment to prompt action in response to the challenges we have identified. This report and the Department's response will be included in DOT's Annual Financial Report, as required by law.

If you have any questions regarding this report, please contact me or Barry J. DeWeese, Principal Assistant Inspector General for Auditing and Evaluation.

#

cc: DOT Audit Liaison, M-1

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

AVIATION SAFETY

OAs Impacted
FAA

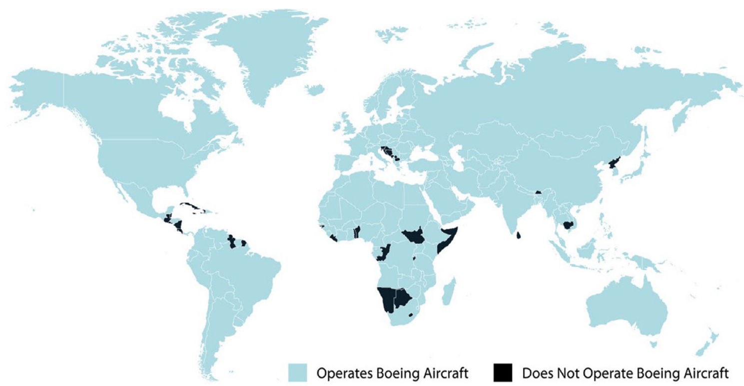
Related DOT Strategic Goal
Safety

Maintaining safety is FAA's primary mission. This includes overseeing the certification and safety of all civilian aircraft manufactured and operated in the United States. While FAA has historically maintained an excellent safety record, multiple reviews following two crashes involving Boeing 737 MAX 8 aircraft highlighted significant issues related to FAA's certification process and use of delegation authority to manufacturers that the Agency is working to resolve. In addition, FAA may be missing opportunities to leverage air carrier safety management systems to ensure regulatory compliance and mitigate safety risks.

Improving Oversight of Aircraft Certification

- Federal law allows FAA to delegate certain certification functions to organizations like Boeing to determine whether new aircraft comply with safety regulations. For example, FAA delegated significant work to Boeing during the original 737 MAX certification, which, according to FAA managers, is typical as aircraft systems mature. During the recertification process to return the MAX to service, FAA retained responsibility for approving certification plans containing key flight control software. However, Agency managers have indicated that this level of effort is not possible for all certification projects given the resources involved.
- Further, as we have reported, FAA's certification guidance does not adequately address integrating new technologies into existing aircraft models. Moreover, FAA lacks a risk-based approach to delegation oversight, and FAA engineers continue to face challenges in balancing certification and oversight responsibilities.
- FAA also has opportunities during the certification process to influence international pilot training requirements through its review and approval of aircraft manufacturers' training documentation, such as Airplane Flight Manuals (AFMs), which many air carriers and civil aviation authorities use when developing training. This is notable given the widespread global use of Boeing aircraft (see figure). Our review, and other stakeholder reviews, identified weaknesses in FAA's oversight of AFMs during certification.
- Although FAA is working to address recommendations from multiple organizations, including those from multiple OIG reports, continued management attention will be critical to maintaining confidence in the aircraft certification process.

Global Airline Use of Boeing Aircraft



Source: OIG analysis of Boeing data

External Impacts: COVID-19

- The COVID-19 pandemic decimated the aviation industry worldwide due to idled aircraft, declining aircraft maintenance and repair activity, and employee lay-offs at many associated businesses. In response, the American Rescue Plan (ARP) Act of 2021 established the Aviation Manufacturing Jobs Protection (AMJP) program in March 2021 for eligible aviation manufacturing companies to continue paying employee wages, salaries, and benefits.
- To support the program, the ARP Act allocated $3 billion in funding for eligible aviation manufacturing companies through 2023. We are currently evaluating DOT's oversight of this important program and the processes used to validate AMJP applicant data, allocate Government funding, and ensure funding was used lawfully.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Maintaining Confidence in FAA's Ability To Oversee Air Carrier Operations and Address Long Unresolved Safety Issues

- While FAA has taken positive steps to work more closely with air carriers to improve safety, weaknesses in FAA's oversight have led to long-unresolved safety issues. We reported that FAA did not ensure Allegiant Air, American Airlines, and Southwest Airlines identified and resolved root causes of non-compliances. As a result, FAA continues to face challenges in achieving its goals to secure rapid compliance, eliminate safety risks, and ensure positive and permanent changes.
- FAA also oversees air carriers' Safety Management Systems (SMS), including the carriers' assessments of safety risk ratings and controls. However, a lack of comprehensive guidance, tools, and training for its inspectors limits FAA's oversight. In particular, FAA may be missing opportunities to identify weaknesses related to assessing and mitigating safety risks and promoting an effective safety culture.
- FAA has addressed or begun to address many of the 27 recommendations from our 3 reports to improve its oversight of Allegiant, American, and Southwest Airlines' safety programs. This includes taking actions related to Allegiant Air's maintenance risks and Southwest Airlines' operation of 88 previously owned aircraft that did not meet airworthiness standards. Resolving the 11 remaining open recommendations will be critical to enhancing FAA's oversight in key areas (see figure). Further, these issues present an opportunity for FAA to assess its oversight of all air carrier safety programs and address any potential systemic issues.
- FAA will need to continue assessing the safety implications of proposals intended to reduce pilot staffing challenges.

Key Oversight Enhancements Yet To Be Implemented

Inspector Training and Guidance on Root Cause Analysis

Inspector Training and Guidance on Air Carrier Risk Assessments

Inspector Guidance on Air Carrier Safety Culture

Source: OIG analysis

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

Nelda Z. Smith
Assistant Inspector General for Aviation Audits
(202) 366-2140 | Nelda.Z.Smith@oig.dot.gov

Recent Progress Reported by the Department

- *Boeing 737 MAX Certification and Delegation.* FAA is taking steps to address recommendations from multiple internal and external reviews, including areas we identified in our February 2021 report, such as completing the rulemaking project that proposes requiring manufacturers to implement Safety Management Systems.
- *Boeing 737 MAX Return to Service.* FAA completed a 20-month recertification process and returned the MAX to service on November 18, 2021.

Related OIG Work

FAA Has Opportunities To Better Inform International Pilot Training for Boeing Aircraft Through Enhanced Transparency and Oversight (July 27, 2022)
>> 4 recommendations (3 open, 1 closed)

Observations and Common Themes in OIG's Recent Work on FAA's Oversight of Air Carrier Maintenance Programs (January 5, 2022)
>> No new recommendations

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)

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)

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

Inspector General’s FY 2023 Top Management Challenges *(CONT.)*

SURFACE TRANSPORTATION SAFETY

OAs Impacted
FHWA, FMCSA, FRA, NHTSA, PHMSA

Related DOT Strategic Goal
Safety

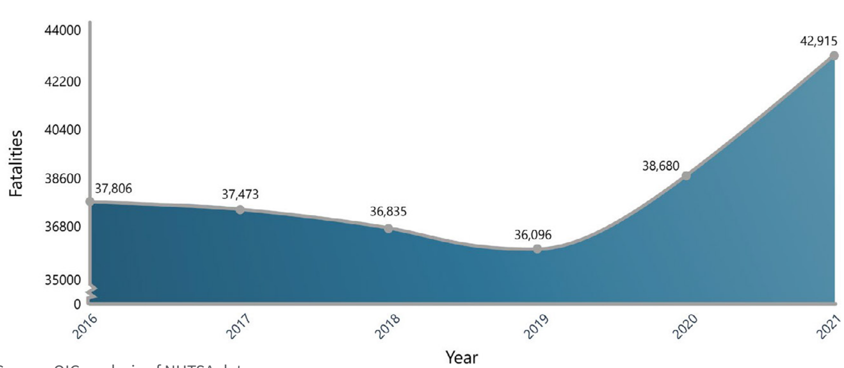
Fundamental to DOT’s mission is its commitment to making the U.S. transportation system the safest in the world. Despite DOT’s efforts, the U.S. has experienced a surge in fatalities and injuries on the Nation’s roads over the past 2 years. Based on our recent audit work, the Department continues to face oversight challenges to help reduce these fatalities and injuries. DOT must also improve its monitoring and enforcement of surface transportation safety programs, including deploying oversight tools and enhancing reporting for rail safety programs and completing statutory mandates for pipeline safety programs.

Overcoming Oversight Challenges To Help Reduce Surface Transportation Fatalities

Vehicle and Highway Safety

- The major surface safety challenge for DOT is reducing highway fatalities and injuries. DOT’s comprehensive approach to addressing this challenge is outlined in its National Roadway Safety Strategy (NRSS), released in January 2022. In particular, DOT’s success will require identifying the root causes of the increased fatalities. This effort will require sustained research, data analysis, and careful coordination between the Department and its OAs, State and local governments, industry, and other stakeholders—as well as efficient stewardship of over $34 billion in IIJA program and grant funding aimed at improving transportation safety.
- To identify vehicle safety defects and monitor recalls, NHTSA established an online portal for manufacturer recalls, enhanced requirements for notifying owners about defects, and adopted a risk-based approach to review recalls for adequate scope and remedy. While these are positive steps, safety defects—such as faulty Takata airbags—remain a risk.
- NHTSA can reduce the risk of unsafe vehicles operating on U.S. roads by updating procedures for setting and revising Federal Motor Vehicle Safety Standards and reviewing compliance test reports. The Agency also has opportunities to improve staff training to better identify and enforce noncompliance.
- Although DOT’s OAs are structured around individual transportation modes, overall transportation safety is influenced by the intersections of modes and the modal choices of passenger and freight users. Recognizing this, the Department should emphasize safety technologies that may benefit multiple modes, and assess safety effects where emerging and existing modes interact or when safety actions related to one mode may impact other modes.

Trends in Traffic Fatalities, 2016–2021



Source: OIG analysis of NHTSA data

External Impacts: COVID-19 and IIJA

After years of steady decline in the number of highway-related fatalities, there has been a rise since the start of the COVID-19 pandemic. NHTSA estimates that nearly 43,000 people died in crashes throughout 2021—a 10 percent increase from 2020 and the largest number since 2005 (see figure).

IIJA has significantly increased funds for safety-related programs and grants to over $34 billion over 5 years. For example, IIJA provides over $15 billion for the Highway Safety Improvement Program; $5 billion to fund regional, local, and tribal safety initiatives; $3 billion for eliminating or separating areas where railroads and motorists intersect; and over $2.4 billion for Motor Carrier Safety Assistance Program grants.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Overcoming Oversight Challenges (Continued)

Motor Carrier Safety

- Along with continued root cause analysis, robust oversight of carrier safety performance and State compliance with Federal requirements is crucial to combating the estimated 10.6 percent increase in fatalities involving large trucks and buses since 2020. Our recent audits have identified challenges in improving the quality and transparency of motor carrier safety data, safety measures, and carrier safety ranking assessments; commercial driver medical certification oversight; and commercial driver license disqualification requirements.

Improving Monitoring and Enforcement of Surface Transportation Safety Programs

Rail Safety

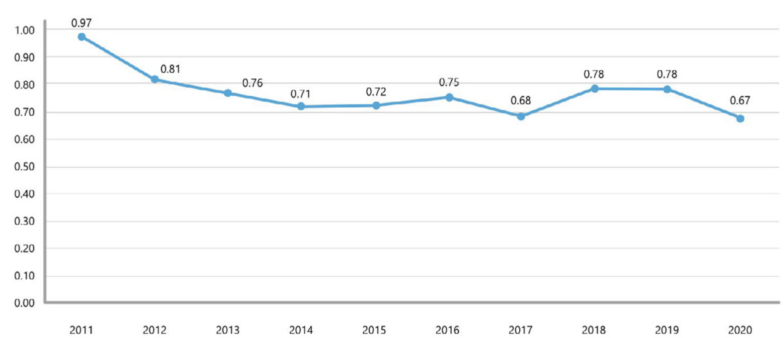
- FRA's Automated Track Inspection Program (ATIP) has provided accurate track geometry data to assess compliance with the Federal Track Safety Standards for over 30 years. Over the last 5 years, track geometry-caused accidents have decreased by 29 percent. Additionally, the rate of track-caused accidents per million train miles fell from 0.97 in 2011 to .67 in 2020 (see figure).

- However, as we recently reported, FRA has opportunities to enhance its ATIP utilization goals and track inspection reporting to better assess compliance with safety requirements. FRA is challenged to implement updated ATIP fleet utilization performance metrics, document the survey prioritization process, and provide detailed inspection planning guidance to track inspectors.

Pipeline Safety

- Implementing requirements of the Protecting Our Infrastructure of Pipelines and Enhancing Safety Act of 2020 (PIPES Act) will require PHMSA to recruit, train, and retain pipeline inspection and enforcement personnel; evaluate innovative technologies; complete rulemaking; maintain stewardship of safety funds; and take other required actions.

Track Accident Rates, 2011–2020 (Per Million Train Miles)



Source: OIG analysis of FRA safety data

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

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Recent Progress Reported by the Department

- NHTSA worked with States to mitigate deficiencies identified during triennial management reviews of highway safety grant programs, updated monitoring procedures and risk assessments, and improved States' timely grant fund expenditures.

- NHTSA continued to publish behavioral safety research studies of the root causes of increased highway fatalities. Such studies are crucial to understanding dangerous driving behaviors and emerging problems and to developing countermeasures that could reduce fatalities.

- PHMSA enhanced its hazardous materials fitness reviews by implementing a plan for tracking safety profile evaluations, updating software and user guides for processing approval and special permit applications and inspections, revising guidelines for inspection priorities, and updating the Agency's website.

Related OIG Work

FRA Uses Automated Track Inspections To Aid Oversight but Could Improve Related Program Utilization Goals and Track Inspection Reporting
(April 27, 2022)

>> 6 recommendations (5 open, 1 closed)

Weaknesses in NHTSA's Training and Guidance Limit Its Ability To Set and Enforce Federal Motor Vehicle Safety Standards (November 9, 2021)

>> 6 recommendations (2 open, 4 closed)

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

>> 7 recommendations (7 open, 0 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

AIR TRAFFIC CONTROL AND AIRSPACE MODERNIZATION

OAs Impacted
FAA

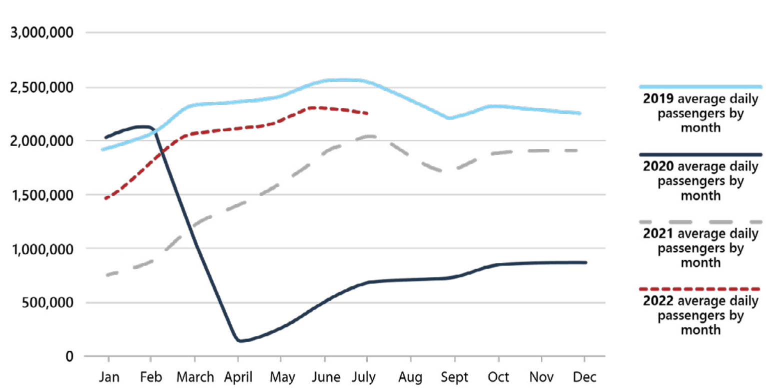
Related DOT Strategic Goals
Safety, Economic Strength and Global Competitiveness, Climate and Sustainability, Transformation

As travelers return to the skies in record numbers in the wake of the COVID-19 pandemic, DOT faces challenges in managing the National Airspace System (NAS). For example, FAA's longstanding challenges in meeting its air traffic controller staffing and training goals have been exacerbated following COVID-19 shutdowns. In addition, the number of delayed and cancelled flights is rising, along with consumer complaints, challenging the Department to ensure air carriers treat travelers fairly. In addition, although FAA's Next Generation Air Transportation System (NextGen) programs are intended to improve efficiency and reduce congestion in the NAS, they have achieved only a small percentage of their expected benefits.

Meeting Staffing Needs at the Nation's Most Critical Air Traffic Control Facilities

- FAA employs more than 13,000 air traffic controllers at more than 300 facilities across the United States. Our work has shown FAA has faced longstanding challenges in ensuring adequate controller staffing and training to maintain the safety of the NAS.
- For example, we previously reported that FAA had not met its staffing and training targets at its busiest and most critical air traffic control facilities. FAA also lacked useful data on optimal scheduling practices and controller fatigue, limiting its ability to predict how many controllers it needed. We also reported that FAA made minimal progress with implementing a standardized scheduling tool for the controller workforce. Our ongoing review indicates that many critical facilities still face staffing issues.
- FAA also faces new staffing challenges created by the COVID-19 pandemic. For example, the pandemic delayed controller training, including on-the-job training, which is critical to ensure trainees have the skills to become certified professional controllers. In addition, controllers absent due to COVID-19 affected the staffing and training of the controller workforce at numerous air traffic control facilities.
- FAA has acknowledged that air traffic controller shortages can cause increased flight delays. As air traffic returns to the pre-pandemic levels, enhanced attention to staffing and training challenges is needed to maintain continuity of air traffic operations at critical air traffic facilities.

Trends in Air Carrier Passenger Traffic, 2019–2022



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

External Impacts: COVID-19 and IIJA

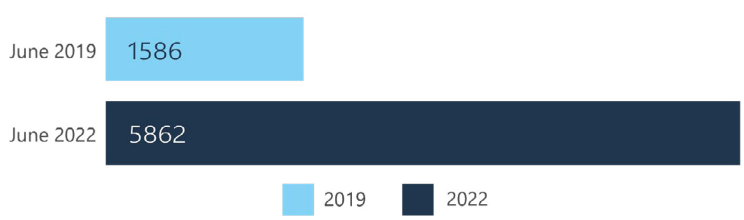
- Air traffic significantly declined during the COVID-19 pandemic. However, levels have returned to almost pre-pandemic levels in 2022 (see figure).
- COVID-19 significantly impacted the pace of modernization of the NAS. In particular, NextGen implementations were essentially suspended due to restricted access to FAA air traffic control facilities.
- IIJA provided $25 billion to FAA for improvements to aviation infrastructure such as runways, taxiways, terminals, and air traffic facilities. In November 2021, President Biden issued an Executive Order requiring agencies to prioritize building resilient infrastructure projects that help combat climate change, among other priorities. As such, FAA may face new challenges in determining how to incorporate climate change resiliency into aviation infrastructure projects.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Ensuring Air Carriers Provide Fair and Adequate Service

- As travelers return to the skies in the wake of COVID-19, delayed and cancelled flights are rising. In June 2022, air carriers scheduled more than 600,000 flights that included more than 100,000 delayed flights and over 18,000 cancelled flights. According to DOT, over 30,000 of the delayed and cancelled flights were attributable to the NAS, which the Department defines as non-extreme weather conditions, airport operations, heavy traffic volume, and air traffic control.
- Flight reductions and overcapacity during the pandemic led to a decline in the number of certificated airline pilots despite Government support to airlines, according to FAA. This exacerbated labor shortages as traffic recovered and contributed to airline scheduling challenges, including service cuts to smaller airports. In the past, we have reported on DOT's challenges in ensuring that air carriers provide the basic service level to eligible Essential Air Service communities, a challenge that may increase given airline labor shortages.
- The number of complaints to DOT about airline service has also risen. DOT received nearly 6,000 complaints about air carrier service in June 2022, more than double the number in June 2019, prior to the pandemic (see figure). The majority of complaints from consumers center on refunds as well as flight cancellations and delays.
- In August 2022, DOT issued a proposed rule aiming to significantly strengthen its consumer protection regulations for consumers seeking refunds for airline tickets. Specifically, the proposed rule aims to clarify the circumstances in which air carriers must refund travelers if carriers cancel or significantly change their flights, or when public or private health concerns interfere with planned air travel. DOT has received thousands of comments on the proposed rule and on dozens of interrelated questions and issues. DOT will need to consider the wide array of comments to ensure the final rule meets the goal of protecting consumers. And, in the past, our office has reported on DOT's challenges in overseeing and enforcing customer protections once adopted, such as rules related to long on-board flight delays. As DOT works to resolve customer complaints and finalize its increased customer protections, developing processes to ensure air travelers are treated fairly will remain a key challenge.

Comparison of Pre-Pandemic With Recent Air Travel Complaints



Source: OIG analysis of DOT data

Recent Progress Reported by the Department

- *Controller training.* FAA has reinstituted on-the-job training at multiple air traffic facilities, which had been suspended due to the COVID-19 pandemic.
- *Consumer protections.* In July 2022, the Department reported that it had increased staffing to handle consumer complaints by 38 percent and initiated investigations into more than 20 airlines for failing to provide timely refunds.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Achieving NextGen Benefits for Airspace Users and Deploying Controller Automation Tools To Improve Efficiency

- As we reported in 2021, FAA expects to invest a total of $36 billion in NextGen programs in anticipation of benefits such as reduced airspace congestion and more fuel-efficient routes. However, NextGen benefits have not kept pace with FAA's initial expectations because of implementation challenges, overly optimistic air traffic and passenger growth assumptions, and the impacts of the COVID-19 pandemic. For example, FAA has experienced challenges and delays with deployment of air traffic controller automation tools to improve operational efficiency, such as Time Based Flow Management and Terminal Sequencing and Spacing. These delays have limited the benefits the Agency hoped to achieve through its use of performance-based navigation.
- Air traffic has returned to near pre-pandemic levels, which should provide more opportunities to generate benefits, since FAA's NextGen benefits estimates depend on reducing passenger delays with air traffic increases. However, FAA still needs to fully implement some NextGen technologies, such as Terminal Flight Data Manager and ADS-B. To justify its investment and convince air carriers to invest in these costly avionics, FAA should continue to develop metrics that capture NextGen performance and enhance transparency regarding NextGen's progress.

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 (0 open, 3 closed)

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

>> 5 recommendations (0 open, 5 closed)

FAA Remains Several Years Away From a Standardized Controller Scheduling Tool (November 27, 2018)

>> 2 recommendations (2 open, 0 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

SURFACE TRANSPORTATION INFRASTRUCTURE

OAs Impacted
FHWA, FRA, FTA, MARAD

Related DOT Strategic Goals
Economic Strength and Global Competitiveness, Equity, Climate and Sustainability, Organizational Excellence

As a result of supplemental appropriations, including COVID-19 relief funding in 2020 and IIJA in 2021, the Nation has seen a significant increase in funds invested in roads, bridges, rail, transit, and port infrastructure projects. DOT agencies face significant challenges in effectively identifying and managing risks, as well as enhancing agency award, administration, and oversight processes to achieve legislative and DOT priorities and goals. These challenges also include balancing the need to complete IIJA infrastructure projects while meeting Executive Order priorities such as addressing the impact of climate change, advancing equity, and promoting resilience in infrastructure and supply chains.

Managing Risks To Achieve Goals

- IIJA's significant funding increase has magnified the need for agencies to focus oversight and resources to best address risk areas in pursuit of program goals. The Department and its OAs have committed to conducting organizational assessments to identify these risks, similar to those they have conducted in the past when DOT was responsible for managing large increases in funding. Through these assessments, the Department instructs its OAs to identify internal controls to address the risks. As these programs operate in a dynamic environment, the Department must retain its focus on monitoring outcomes and managing risks throughout the IIJA implementation effort.
- Additionally, obtaining and maintaining accurate data to inform DOT of infrastructure-related risks is essential. For example, in April 2022 we reported that FRA's Automated Track Inspection Program is limited because survey inspection activities are reported incorrectly, which may affect FRA's safety oversight. Also, our upcoming report on FHWA's tunnel safety program has found that the Agency's tunnel inventory contains inaccurate and incomplete inspection data, affecting FHWA's ability to identify and track tunnel deficiencies and States' repairs.

Supplemental COVID-19 Relief and IIJA Funding by Surface Transportation Operating Administration ($ in billions)

DOT Agency	Laws and Related Funding: CARES Act	CRRSA Act	ARP Act	IIJA Supplemental Appropriation	Total by Agency
FHWA	NA	$10.0	NA	$47.3	$57.3
FMCSA	*	NA	NA	$0.7	$0.7
FRA	$1.0	$1.0	$1.7	$66.0	$69.7
FTA	$25.0	$14.0	$30.5	$21.3	$90.8
MARAD	*	NA	NA	$2.3	$2.3
NHTSA	NA	NA	NA	$1.6	$1.6
PHMSA	NA	NA	NA	$1.0	$1.0
Total	**$26.0**	**$25.0**	**$32.2**	**$140.1**	**$223.4**

Numbers rounded to the nearest 10th.
* FMCSA received $1.5 million and MARAD $41.3 million in CARES Act funding.
Source: OIG analysis of DOT-provided information for FHWA, FMCSA, FTA, FRA, MARAD, NHTSA, and PHMSA

External Impacts: COVID-19 and IIJA

The supplemental funding provided through the CARES Act, CRRSA Act, ARP Act, and IIJA added about $223 billion in funding (see figure) and many new responsibilities for DOT surface transportation agencies. These responsibilities include implementing new formula and discretionary grant programs, increasing broader access to DOT funding and programs, enhancing project flexibility and environmental reviews, and facilitating changes to specific Federal project requirements.

Inspector General’s FY 2023 Top Management Challenges *(CONT.)*

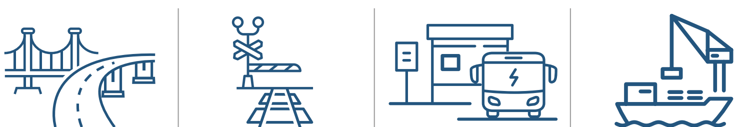
Managing Risks To Achieve Goals (Continued)

- Another significant challenge is the risk of fraud due to the rapid distribution of and increases in funding. As such, DOT has communicated to its OAs and Congress the importance of internal controls to protect resources against fraud, waste, and abuse. Nonetheless, our October 2022 report on FTA’s COVID-19 relief funding oversight found that the Agency did not thoroughly identify the risks of fraud, waste, and abuse. To aid DOT in carrying out its IIJA responsibilities and overseeing the funding the law provides, we have initiated an audit to evaluate DOT’s fraud risk assessment processes for IIJA-funded surface transportation programs.

Enhancing Award, Administration, and Oversight Processes Over New and Existing Funded Programs and Projects

- Increased funding has also magnified the need for effective oversight, especially in the early stages of IIJA implementation. For example, for IIJA, OMB emphasized the importance of prioritizing, planning, and budgeting Federal funds for transportation projects. Recognizing the importance of these initial steps, in June 2022, we initiated an audit to assess FHWA’s oversight of States’ Transportation Improvement Programs (STIP). Following STIP processes is a key element of effective oversight in the early stages of funding use.
- IIJA may also exacerbate DOT’s oversight challenges if the Department does not address existing OIG and GAO recommendations to enhance its oversight policies, procedures, and guidance. For example, MARAD is still working to address our 2015 recommendation to update existing policies and procedures for employees’ use in administering and overseeing its programs. Similarly, FHWA has not yet improved staff and external stakeholder guidance on overseeing public-private partnership projects—a particular challenge considering IIJA calls for an increase in these types of projects.

Types of Surface Transportation Projects Funded by IIJA



FHWA
- Bridge grants
- Congestion Mitigation and Air Quality Improvement Program
- Grants for charging and fueling infrastructure

FRA
- Intercity passenger rail and freight rail capital and planning grants
- Rail restoration and enhancement grants

FTA
- Buses and bus facilities grants
- State of Good Repair grants for transit infrastructure
- Low or No Emission grants
- Capital investment grants

MARAD
- Marine Highway Program grants
- Port Infrastructure Development Program grants

Source: OIG analysis of IIJA

Recent Progress Reported by the Department

- *FHWA Engineer’s Estimates Guidance.* FHWA updated its guidance for Engineer’s Estimates on Federal-aid projects to include more recent project delivery methods and account for contingencies and inflation.
- *FTA Provision of Hurricane Sandy Funds.* FTA updated its guidance to ensure it complies with OMB requirements for tracking and reporting on its use of Hurricane Sandy funds, intended to make such information more transparent and identifiable.
- *FHWA Risk-Based Oversight.* FHWA improved its risk-based project guidance to clarify requirements to address expectations for conducting and documenting such assessments and criteria to guide the reevaluation of project risks.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Executing Federal Priorities Related to the Impact of Climate Change, Advancing Equity, and Promoting Resilience in Infrastructure

- In November 2021, President Biden issued Executive Order 14052 to describe the Administration's goals for implementing IIJA. Among others, these goals included increasing the competitiveness of the U.S. economy; investing equitably, including support for disadvantaged communities; and building infrastructure that is resilient and helps combat climate change. For example, the IIJA-funded Port Infrastructure Development Program will emphasize resilient projects, such as those addressing rising sea-level, flooding, extreme weather events, and natural disasters.
- A primary challenge for the Department will be balancing these goals and priorities with the need to execute IIJA projects timely, cost-effectively, and in a manner that provides value. For example, DOT will be challenged to identify and select projects that will help roads, bridges, tracks, and tunnels withstand risks linked to climate change and also address national security, while factoring in the availability of labor resources to implement and oversee such projects. The Department will also need to bear in mind other attributes of resilience, such as the existence of alternatives when primary infrastructure is damaged.
- Recognizing this challenge, in June 2022, DOT issued interim guidance for discretionary and other priority programs. The guidance provides direction on incorporating newer or less established priorities and goals into discretionary grant program selection criteria and other programs. These include climate change and sustainability, equity and barriers to opportunity, and labor and workforce issues. Consistent implementation of this guidance, backed by transparent decision-making and documentation, will be critical to achieving these goals.

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

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Related OIG Work

FTA Can Enhance Its Controls To Mitigate COVID-19 Relief Funding Risks
(October 12, 2022)
>> 2 recommendations (2 open, 0 closed)

Fully Implementing a Grants Management Framework Will Enhance FRA's Amtrak Funding Oversight
(June 30, 2021)
>> 4 recommendations (3 open, 1 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 (0 open, 8 closed)

FHWA Needs To Clarify Roles and Processes for Approving and Monitoring Public-Private Partnerships
(March 6, 2019)
>> 5 recommendations (4 open, 1 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

CONTRACT AND GRANT FUND STEWARDSHIP

OAs Impacted
Departmentwide

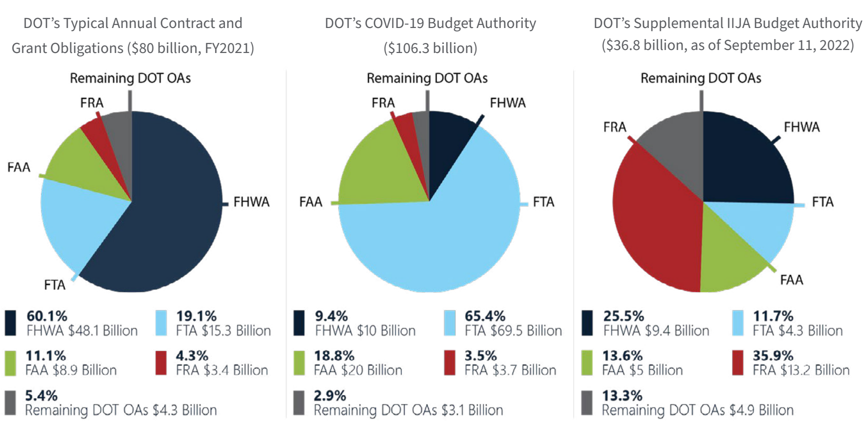
Related DOT Strategic Goals
Safety, Economic Strength and Global Competitiveness, Transformation, Organizational Excellence

Beyond its typical annual outlay in contracts and grants—averaging approximately $77 billion between fiscal years 2019 and 2021—DOT has received over $100 billion in COVID-19- and IIJA-appropriated funds since 2020 to obligate across all modes of transportation. Given this unprecedented influx of funds, it is critical for DOT to sustain its focus on contract and grant award and administration practices. This includes establishing sound pricing and verifying the appropriateness of expenditures for DOT-funded contract and grants—particularly amidst an unpredictable economic environment and fragile supply chain.

Establishing Sound Pricing for Contract and Grant Awards

- To efficiently and effectively achieve its missions while realizing the best value for taxpayers, DOT needs to verify sound pricing prior to awarding any agency-funded contract or grant. Key requirements of sound pricing include developing reasonable cost estimates and, specific to contracts, promoting competition to the extent practical.
- However, our reviews identified deficiencies in these areas for DOT-funded awards. For example, DOT noncompetitively and repeatedly extended four IT shared service (ITSS) contracts beyond their priced base and option periods without proper justification, contrary to the contract terms, and despite prolonged contractor performance issues. As such, these contracts cumulatively increased $48 million in value and 12 years in performance periods without competitive, or best value, pricing. Further, DOT could not provide the required independent government cost estimate for one of these longstanding contracts to support that its $525 million value was fair and reasonable.
- Compounding DOT's pricing challenges is the need to consider the current volatile economy. During DOT's July 2022 IIJA implementation hearing, Congress raised concerns that inflation, disruptions in the supply chain, and labor shortages are causing States to exceed their transportation budgets—which may diminish the value that taxpayers receive from IIJA-funded projects. Additionally, these factors make accurately estimating increasing project costs difficult and reduce the number of firms who are able to bid on jobs—essentially limiting competition. As such, DOT must keep sustained attention on how to ensure sound pricing in this challenging environment.

Top Four OAs With Contract and Grant Obligation Responsibility



Note: COVID-19 and IIJA funds are not all obligated in 1 year and some of these funds have already been obligated.
Source: OIG analysis of DOT data

External Impacts: COVID-19 and IIJA

In addition to its typical annual contract and grant obligations—which increased from $74 billion to $80 billion between fiscal years 2019 and 2021—DOT's contract and grant obligation responsibilities now include over $140 billion in supplemental IIJA, COVID-19, and Inflation Reduction Act funds.

DOT's funds are primarily concentrated in four of its OAs: FAA, FHWA, FRA, and FTA. Specifically, these OAs represent around 95 percent of DOT's typical obligations, and 87 and 97 percent of DOT's total supplemental IIJA and COVID-19 budget authorities, respectively (see figure). As such, these OAs will face challenges in dedicating qualified and sufficient resources to provide sound contract and grant fund stewardship, a challenge we reported last year.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Verifying Contract and Grant Expenditures Are Supported and Proper, Including Compliance With Made in America Laws

- Beyond the magnitude of funds DOT has to obligate over the next several years, some of these funds come with distinct requirements regarding their use and availability. Therefore, a significant challenge for DOT is ensuring its contract and grant expenditures are supported and proper. This includes verifying charges are reasonable, allowable, and in compliance with contract and grant terms before making a payment.
- However, our recent work found that FAA modified policy to lessen supporting documentation requirements for CARES Act funds, which expedited reviews but adversely impacted the Agency's ability to assess eligibility and validity. In another review examining a limited number of ITSS invoices, we identified $4.3 million in unsupported and questionable contractor charges.
- Adding to this challenge is the rigor with which DOT will need to ensure that applicable purchased products and materials comply with Made in America laws, especially given OMB's April 2022 expansion of Buy America preference to all Federal infrastructure programs. In July 2022, DOT published a Request for Information seeking input on the Buy America requirements as applied to construction materials. DOT's Buy America construction materials requirements waiver expires on November 10, 2022. Further, substantial changes to the Buy American requirements for Federal contracts will take effect on October 25, 2022—including gradual increases to the domestic content threshold (see figure).

Schedule of Increases to the Buy American Domestic Content Threshold

Source: OIG analysis

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Recent Progress Reported by the Department

- Office of the Senior Procurement Executive officials reported that they are using direct hire authority to add contracting series staff across DOT and that they have developed a strategy to facilitate moving acquisition staff within DOT based on need.
- FAA addressed three of our recommendations to improve its compliance and oversight for agency contracts subject to Made in America laws, including tightening controls to require and standardize testing, reviewing, and documenting Buy American compliance.
- DOT and the Department of Labor have entered into a Memorandum of Understanding to promote workforce development in support of American infrastructure efforts. Additionally, the Secretary has used public appearances to encourage the development of an expanded transportation workforce in multiple modes.

Related OIG Work

Weaknesses in DOT's ITSS Award and Invoice Processes Increase the Risk of Inefficiencies During Acquisitions of Critical IT Products and Services (September 20, 2022)

>> 9 recommendations (7 opened, 2 closed)

FAA Quickly Awarded CARES Act Funds but Can Enhance Its Oversight Approach To Promote Effective Stewardship (July 18, 2022)

>> 7 recommendations (4 open, 3 closed)

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

>> 8 recommendations (5 open, 3 closed)

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

Inspector General’s FY 2023 Top Management Challenges *(CONT.)*

FINANCIAL MANAGEMENT

OAs Impacted
Departmentwide

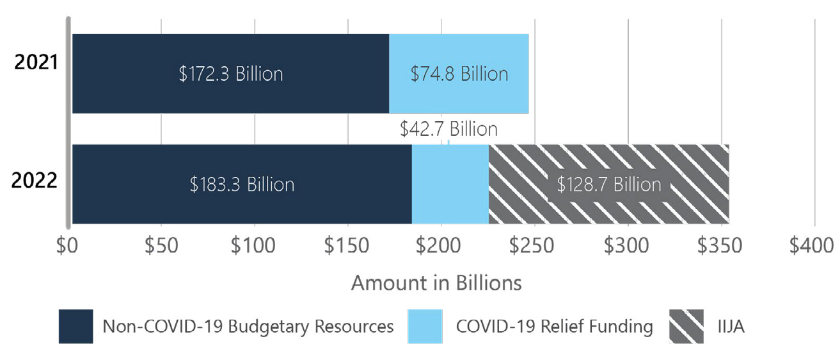
Related DOT Strategic Goals
Economic Strength and Global Competitiveness

For fiscal year 2022, DOT’s budgetary resources comprised approximately $355 billion, including unused prior year monies, to fund programs and other operations through grants, contracts, and other means. Following Congress’s addition of multi-year funding totaling more than $660 billion in IIJA and $106 billion in COVID-19 relief, DOT’s annual funding has increased by more than 70 percent of pre-pandemic levels. Further, DOT now monitors significantly more grant funds, posing challenges to the Department’s financial management. Improving grant monitoring procedures with consistent oversight and maintaining controls to detect, prevent, and reduce improper payments is critical to help the Department safeguard assets.

Preventing and Detecting 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.
- We recently reported that DOT complied with PIIA for fiscal year 2021. The Department tested three programs susceptible to significant improper payments, with total expenditures over $49 billion. However, one of the programs, the FHWA Highway Planning and Construction program, did not meet its reduction target of .80 percent and reported estimated improper payments of about $697 million—an overall increase of about $525 million from fiscal year 2020.
- The drastic growth in disbursements and volume of transactions related to IIJA and COVID-19 relief will increase DOT programs’ susceptibility to improper payments. For example, our recent review of FAA’s oversight of CARES Act funding identified $3 million of improper payments. 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 Budgetary Resources, 2021 vs. 2022



Note: Budgetary resources mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
Source: DOT quarterly financial statements as of June 30, 2021, and June 30, 2022 (unaudited)

External Impacts: COVID-19 and IIJA

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

The increased workload placed on DOT staff who are processing these funds further heightens this risk. For example, because a program official may have to review more transactions in less time, review quality may go down and risk for improper payments may go up. Furthermore, while the assignment of new or additional staff to reviews may mitigate some risks, it can create new risks if those staff lack familiarity with the programs’ requirements.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Enhancing Policies and Procedures To Monitor and Report Grantee Spending

- **Resolving single audit findings.** OMB's Uniform Guidance requires agencies to follow up on single audit findings and verify the appropriateness of grantees' actions to resolve them. However, we have communicated concerns to the Department about OAs' untimely followup on single audit findings. If identified issues are not corrected, future awards may be susceptible to the same weaknesses, thus increasing the risk of misuse of Federal funds.

- **Improving data quality.** 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. As it disburses COVID-19 relief and IIJA funds, DOT will have to continue to implement improved data quality procedures for DATA Act reporting, such as expanding the Department's existing quarterly reviews to ensure potential data quality issues are investigated.

- **Identifying unused funds.** DOT must also monitor grantee spending to identify when funds are no longer needed or when grantee spending does not occur in a timely manner. In both of these situations, there is a risk that funds will remain allocated or obligated to an inactive grant when they could instead be put to better use to fund other DOT projects. Furthermore, a failure to spend grant funds in a timely fashion could make the impact of inflation more severe by exacerbating the diminution of purchasing power. Our recent reviews of FHWA's emergency relief and FAA CARES Act grants made recommendations to improve OAs' plans and policies to address inactive grants.

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
- Failure to follow statute or regulation during payment process

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Recent Progress Reported by the Department

In February 2022, the Department made progress in filling key positions for managing the single audit process by appointing a Single Audit Accountable Official. This appointment fulfilled one of our recommendations to improve DOT's compliance with OMB's Uniform Guidance.

Related OIG Work

FAA Quickly Awarded CARES Act Funds but Can Enhance Its Oversight Approach To Promote Effective Stewardship (July 18, 2022)

>> 7 recommendations (5 open, 2 closed)

DOT's Fiscal Year 2021 Payment Integrity Information Act Compliance Review (June 27, 2022)

>> 3 recommendations (3 open, 0 closed)

DOT Does Not Ensure Compliance With All Single Audit Provisions of OMB's Uniform Guidance (March 23, 2022)

>> 7 recommendations (6 open, 1 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

INFORMATION SECURITY

OAs Impacted
Departmentwide

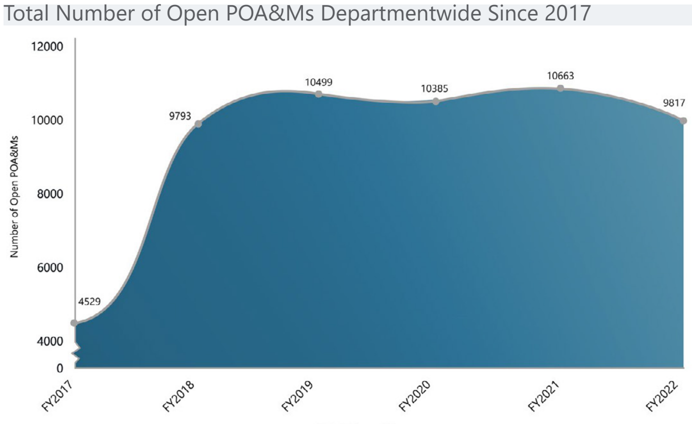
Related DOT Strategic Goals
Safety, Organizational Excellence

DOT continues to face significant challenges related to securing the more than 400 information technology (IT) systems used to carry out its mission. Our work has identified numerous weaknesses that may enable an attacker to gain control over certain systems, launch a denial-of-service attack, or gain unauthorized access to mission-critical systems and sensitive data. As DOT works to address challenges in its development of a mature and effective information security program, it must also resolve obstacles to meeting a mandate to implement a Zero Trust Architecture. As increasingly sophisticated cybersecurity threats rise worldwide, addressing these challenges will be critical to protect DOT's systems from malicious attacks.

Strengthening Enforcement and Implementation of DOT's Enterprisewide Information Security Program To Prevent Cyberattacks

- DOT's information systems continue to face high-risk security vulnerabilities that attackers could exploit to control systems or access data. Our 2022 Federal Information Security Modernization Act (FISMA) review found systems that were not scanned for vulnerabilities or that had vulnerabilities that were not remediated in accordance with DOT policy. Our independent vulnerability and penetration testing identified issues such as outdated system security patches, faulty configuration settings, and unsupported software.
- Our audits of each OA's IT infrastructure continue to note systemic weaknesses that will require sustained focus. In particular, DOT has not fully implemented steps to protect sensitive data, including personally identifiable information (PII). DOT still does not consistently develop and maintain contingency plans and perform tests or exercises of these plans. These weaknesses increase the risk that DOT will be inadequately prepared, and PII exposed, in the event of system or service disruptions, cyberattacks, and other real-world contingency events.
- DOT also continues to face challenges in addressing the underlying root causes of recurring security weaknesses, due in part to the inconsistent enforcement of an enterprisewide information security program. As of June 30, 2022, we identified 9,817 open security weaknesses identified in departmental plans of actions and milestones (POA&M) (see figure). To resolve the 63 open recommendations from prior FISMA audits since 2011, including 8 from our most recent review, DOT needs to implement a comprehensive remediation approach with sustained focus and direction.

Total Number of Open POA&Ms Departmentwide Since 2017



Source: OIG analysis of DOT data
Note: The majority of these weaknesses (9,060) are under FAA.

External Impacts: COVID-19

According to DOT, the COVID-19 pandemic caused delays with the timely distribution of personal identity verification (PIV) cards. During the pandemic, the number of DOT personnel without PIV cards increased. Beginning in March 2022, DOT planned for a phased reentry to the workplace and reported it would issue PIV cards to staff needing them as they return. As of July 2022, DOT reported fewer than 300 staff remained without cards.

The COVID-19 pandemic impeded the scheduled contingency planning testing of systems due to staff working remotely.

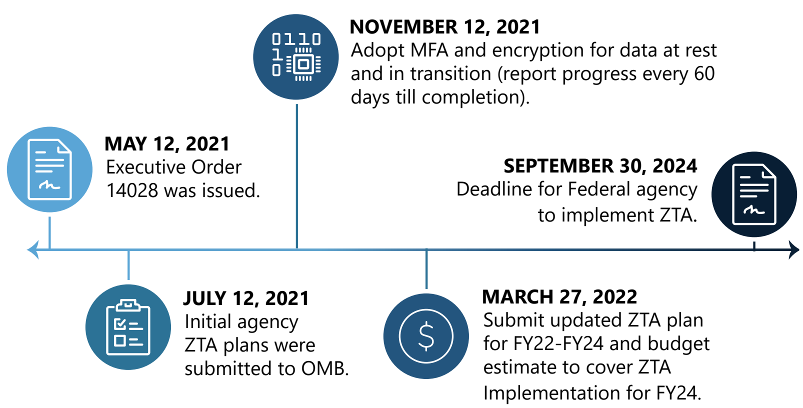
DOT Top Management Challenges (FY 2023) www.oig.dot.gov *Information Security* | 19

Inspector General’s FY 2023 Top Management Challenges *(CONT.)*

Addressing Obstacles to Moving Towards a Zero Trust Architecture

- In May 2021, Executive Order 14028 tasked Federal agencies with modernizing their cybersecurity posture by advancing towards Zero Trust Architecture (ZTA). ZTA is an enterprise cybersecurity architecture based on zero trust principles, designed to prevent data breaches and limit internal lateral movement of malicious actors using compromised credentials. In January 2022, OMB Memorandum 22-09 directed agencies to achieve specific zero trust security goals by the end of fiscal year 2024.
- Based on our current audit work, DOT has created plans related to adopting ZTA, including its cloud implementation plan; however, the Department has not yet taken key steps, such as establishing a specific technical approach and schedule for full implementation and adoption of ZTA by the fiscal year 2024 deadline.
- A key challenge will be the implementation of multifactor authentication (MFA), which is a central component of zero trust. According to DOT’s March 2022 Multifactor and Encryption Gap Identification report, DOT still lacks a method for multifactor authentication for administrative users who require privileged access, and has implemented full MFA capability for less than 10 percent of its information systems.
- Furthermore, DOT faces talent and resource challenges. In its July 2021 Cloud Implementation Plan submission to OMB, the Department reported it cannot attract new personnel and retain its IT workforce due to a weak compensation system compared to other Federal agencies and private sector companies. Additionally, the Department needs to obtain specialized workforce training to build the skills required to manage and evolve ZTA.

Key ZTA Implementation Milestones



Source: OIG analysis

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Recent Progress Reported by the Department

Recently, the Department named Jay Riberio as its Chief Information Security Officer (CISO) and Associate Chief Information Officer. Additionally, DOT continues to make progress coordinating with other agencies and industry partners to ensure cybersecurity in the transportation sector. For example, DOT participated in the Department of Homeland Security’s Cybersecurity and Transportation 60-day sprint with executives from across the maritime industry as well as major passenger and cargo airlines. The sprint, held in September 2021, focused on the need to increase cyber resilience in the Nation’s transportation systems—from aviation to rail, mass transit, pipelines, and the marine transportation system.

Related OIG Work

FISMA 2022—Quality Control Review of the Independent Auditor’s Report on the Assessment of DOT’s Information Security Program and Practices (September 28, 2022)

>> 8 recommendations (8 open, 0 closed)

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

>> 13 recommendations (7 open, 6 closed)

FTA Does Not Effectively Assess Security Controls or Remediate Cybersecurity Weaknesses To Ensure the Proper Safeguards Are in Place To Protect Its Financial Management Systems (October 20, 2021)

>> 13 recommendations (8 open, 5 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

FRAUD DETECTION AND PREVENTION

OAs Impacted
Departmentwide

Related DOT Strategic Goals
Economic Strength and Global Competitiveness, Equity, Organizational Excellence

The volume of IIJA and COVID-19 relief appropriations, along with the speed by which they are disbursed, puts these funds at an increased risk for fraud, waste, and abuse. A key challenge for the Department will be identifying and assessing fraud in high-risk areas, such as bid rigging, disadvantaged business, and materials fraud. DOT must also take steps to proactively manage fraud risks, including strengthening oversight procedures and increasing outreach efforts to enhance understanding among staff, grantees, and their contractors on how to recognize, prevent, and report potential fraud.

Identifying and Assessing Fraud

Based on our prior work, we have identified particularly high-risk fraud areas that will present challenges for DOT, including:

- *Procurement fraud, collusion, and bid rigging.* A major risk area involves instances of collusion between two or more firms to plan the bidding on projects in order to influence pricing and/or the project award. For example, a North Carolina engineering firm was recently sentenced to $7 million in fines and more than $1.5 million in restitution after conspiring for nearly a decade to rig bids for aluminum structure projects that facilitate drainage underneath or around paved roads, bridges, and overpasses. Identifying red flags will be key to detecting and mitigating such fraud.
- *Disadvantaged Business Enterprise (DBE) fraud.* IIJA mandates that at least 10 percent of funds should be paid to small businesses owned and controlled by socially and economically disadvantaged individuals. DBE fraud can diminish opportunities for legitimate DBEs, increase the resources spent on fraud investigations, and divert Federal funds from intended purposes. Over the last 5 years, OIG has investigated 98 allegations of DBE fraud, resulting in over $21 million in forfeitures, $9 million in recoveries, $6 million in restitution, and 17 years of incarceration. Strong oversight is needed to ensure that DBEs are actually owned and controlled by disadvantaged persons; that the DBEs are performing the work, rather than acting as front companies for ineligible firms; and that DBEs satisfy the business size standards.
- *Materials fraud.* The delivery of products that are substandard or that fail to comply with domestic content requirement is materials fraud. For example, a Guam firm and its president pleaded guilty and received criminal sentences for substituting Korean-made reinforcement steel bars for the U.S. manufactured steel bars that the American Recovery and Reinvestment Act (ARRA) and their contract required be used in the culverts they were building.

SELECTED RED FLAG INDICATORS OF BID RIGGING AND COLLUSION

- Unusual bid patterns: too close, too high, round numbers, or identical winning margins or percentages
- Losing bids do not comply with bid specifications or only one bid is complete and other bids are poorly prepared
- Apparent connections between bidders: common addresses, personnel, or telephone numbers
- Rotation of winning bidders by job, type of work, or geographical area
- Different contractors making identical errors in contract bids
- Bid prices dropping when a new bidder enters the competition
- Joint venture bids by firms that usually bid alone
- Persistent high prices by all bidders
- Losing bidders submitting identical line-item bid amounts on nonstandard items
- Losing bidders hired as subcontractors

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Proactively Managing Fraud Risks Through Oversight, Outreach, and Data Analysis

- Given the increased risk of fraud with IIJA and COVID-19 relief funds, effective outreach to DOT OAs, State DOTs, and grantees is especially critical. Such outreach can help ensure those responsible for overseeing and administering funds are aware of red flag indicators of potential fraud (see figures).

- Strengthening oversight procedures, such as collecting and monitoring documentation supporting grant expenditures, is also necessary for detecting fraud, waste, and abuse. OIG's audit work has found that DOT faces challenges in this area. For example, our review of FTA's oversight of Hurricane Sandy funds determined that FTA did not verify that grantees were using those funds solely for eligible expenditures, including an instance in which a grantee had inappropriately spent over $17 million that had to be returned to the Federal Government.

- Further, although OIG's Office of Investigations conducts a number of outreach activities to increase awareness on how and when to report suspected fraud, this outreach does not normally reach the contractors who are performing the work and committing or knowledgeable about fraud. For example, in the case of DBE fraud, prime contractors play essential roles in obtaining DBE participation, monitoring change orders for impacts to DBEs, maintaining records, ensuring DBEs engage in a commercially useful function, and otherwise detecting fraud. As such, the Department and its grantees must do their part to inform contractors of their responsibilities for preventing, detecting, and reporting fraud and help educate them in identifying such fraud.

- Given the vast scope of IIJA and COVID-19 relief funds, proactive data analytics may play a vital role in preventing and detecting fraud. By leveraging machine-learning algorithms with Departmental datasets and resources, identifying risk factors, and training models to assign risk scores to certain practices, data analytics may be able to more effectively and efficiently protect Federal dollars and the traveling public. Access to these datasets and resources, especially grant management and financial databases, is equally critical for OIG to perform its duties. By mining these databases, OIG may be able to further target its investigative and audit activities towards high-risk areas, activities, and transactions and help reduce waste, fraud, abuse, and possible safety concerns.

SELECTED RED FLAG INDICATORS OF DBE FRAUD

- Employees shuttling back and forth between prime contractor and DBE-owned business payrolls
- Financial agreements between prime and DBE contractors
- Prime contractor always uses the same DBE
- Joint bank accounts (Prime/DBE)
- Orders and payment for necessary supplies made by individuals not employed by DBE-owned business
- Prime contractor facilitated purchase of DBE-owned business
- Absence of written contracts
- DBE owner never present at job site
- DBE owner lacking background, expertise, or equipment to perform subcontract work
- Business names on equipment and vehicles covered with paint or magnetic signs

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Recent Progress Reported by the Department

DOT recognizes the increased risk of fraud associated with the influx of COVID-19 relief and IIJA funding. For example, in its fiscal year 2023 budget submission, DOT described plans to require every program that received IIJA funding to have completed a fraud risk assessment by the end of fiscal year 2023.

Related OIG Work

Memorandum to the Secretary: Challenges Facing DOT in Implementing the Infrastructure Investment and Jobs Act
(October 5, 2022)
>> No recommendations

North Carolina Company Sentenced To Pay $1.5 Million in Restitution and $7 Million in Fines
(June 7, 2021)
>> No recommendations

Guam Firm Sentenced for Its Role in a Buy America Billing Scheme on a $1.8 million ARRA Funded Project
(December 11, 2013)
>> No recommendations

FTA Can Improve Its Oversight of Hurricane Sandy Relief Funds
(July 21, 2016)
>> 5 recommendations (0 open, 5 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

INNOVATION AND THE FUTURE OF TRANSPORTATION

OAs Impacted
FAA, FHWA, NHTSA, OST

Related DOT Strategic Goal(s):
Safety, Transformation, Economic Strength and Global Competitiveness, Climate and Sustainability

A fundamental challenge for DOT is to proactively address legislative and technological changes in the transportation environment that significantly affect our Nation's future economic prosperity, industry competitiveness, and national security as well as the safety of the traveling public. Recognizing this challenge, DOT has established guiding principles for transportation innovation that the Department must now fulfill while maintaining safety. Key focus areas include advancing the safe integration of autonomous and electric vehicles on our Nation's roads, as well as safely integrating commercial space operations, Advanced Air Mobility (AAM) aircraft, and Unmanned Aircraft Systems (UAS) into the National Airspace System (NAS).

Implementing DOT's Innovation Principles

The adoption of new technologies is proceeding apace in ways affecting nearly all transportation modes and OAs and is creating opportunities to advance key DOT priorities such as equity. Accordingly, in January 2022, DOT established six guiding principles for its work in transportation innovation:

- serving key public policy priorities;
- helping America win the 21st century;
- supporting workers;
- overcoming risk-aversion to allow for experimentation and learn from setbacks;
- collaboration with the private and academic sectors; and
- flexibility and adaptation.

DOT will need to carefully manage its activities to strike an appropriate balance between the Department's dedication to transportation safety and the implementation of the six innovation principles.

Advancing the Safe Integration of Vehicle Automation and Electric Vehicles on Our Nation's Roads

Vehicle Automation

- *Collecting and using crash and other safety data on vehicles with automated driving and advanced driver assistance systems.* The identification of data sources and collection and evaluation of data are the cornerstone of evidence-based policymaking. These data can help DOT meet its six innovation principles and facilitate the integration of automated vehicles onto public roads, while helping NHTSA respond to safety concerns and remedy or take unsafe automated vehicles off public roads. However, as we have reported in the past, NHTSA's Office of Defects Investigation has faced challenges with collecting and assessing safety data and may face similar challenges in this area.

- *Applying new data analysis while integrating automated vehicle systems into transportation networks.* DOT last updated its automated vehicle guidance in January 2021. The Department must confront challenges in this rapidly evolving safety area such as developing standards, testing new tools, and assessing the impact of automated technologies on surface transportation, as well as managing the public's understanding of these technologies.

External Impacts: IIJA

- IIJA establishes new focus areas in funding transportation investments, including reduced-emissions transportation technology, resiliency, climate and sustainability, and other areas.

- IIJA also drives a need for improved coordination between Federal, State, and local governments and private companies in both traditional and new transportation endeavors. For example, IIJA directs DOT and the Department of Energy (DOE) to develop a joint program office. This office is responsible for planning and developing a network of electric vehicle (EV) chargers, zero-emission fueling infrastructure, and zero-emission transit and school buses. In addition, implementing IIJA's EV vision will require coordinating with other Federal agencies to develop adequate sources of raw materials and other inputs as well as with State and local governments that will plan and implement EV infrastructure.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Vehicle Automation and Electric Vehicles (Continued)

- *Collaborating with industry and other stakeholders to develop vehicle-to-everything technologies.* Technologies allowing vehicles to communicate with surrounding vehicles, traffic control systems, and vulnerable road users are key to improving safety, providing situational awareness, and safely integrating automated vehicles. While DOT has made significant strides in this area, such as creating initial test plans, much work remains to fully deploy these technologies, which face challenges such as security and privacy issues and a lack of public trust and acceptance.

Automated Driving Systems for the Future

Electric Vehicles

- *Addressing in-use operational safety, post-crash electrical and responder safety, and battery fire safety.* Electric and hybrid vehicle technology has significantly evolved since NHTSA issued guidance in 2012. As such, the Department continues to face challenges in ensuring safety as these vehicles increase nationwide. In particular, as for automated driving systems, NHTSA must collect and evaluate post-incident and crash data to assess trends, identify risks, and influence public understanding of the relative safety of electric and internal combustion vehicles.

- *Overseeing funding and installation of electric vehicle charging stations.* In February 2022, DOT and DOE announced the new National Electric Vehicle Infrastructure (NEVI) Formula Program. The program will provide $5 billion over 5 years to help States create a network of electric vehicle charging stations along designated Alternative Fuel Corridors. However, due to the breadth, potential complexity, and short timeframes, the Department may face oversight challenges in monitoring the funding, planning, and implementation of this initiative and assessing and learning from the NEVI program to improve future EV infrastructure activities.

Safely Integrating New Technologies Into the National Airspace System

Commercial Space

- *Striking the right balance between overseeing the commercial space industry and encouraging its innovation.* Our country's economic and national security interests depend in part on the continued development of the commercial space industry. FAA currently operates under a dual mandate of encouraging, facilitating, and promoting the commercial space industry while also regulating the safety of its operations. Similar to striking this balance, FAA faces challenges in meeting DOT's six innovation principles. For example, in October 2020, FAA streamlined commercial space launch and reentry regulations into a single rule that, in part, allows operators to focus on innovation. However, FAA must also adhere to other laws, such as the National Environmental Policy Act, for major Federal actions such as issuing an experimental permit or a vehicle operator license. These processes can take many months to complete, lead to dozens of required actions, and potentially slow innovation.

- *Introducing new technologies for safe and efficient integration of commercial space operations into the NAS.* Space launches and reentries must traverse busy portions of the NAS, creating delays, inefficiencies, and costs as FAA protects other NAS users and the public from the potential hazards of space operations. To assist with tracking these operations, in June 2021, FAA introduced the Space Data Integrator prototype, which monitors launches and reentries, at the FAA Command Center. However, challenges remain for adding technologies, determining the appropriate level of regulatory oversight, and coordinating with industry and other Federal agencies to ensure the safety of other airspace users and the public.

Recent Progress Reported by the Department

- DOT has partnered with a broad coalition of industry and other stakeholders to safely develop, test, and integrate automated vehicle technologies to promote American leadership in automation, innovation, and safety.

- As of August 11, 2022, the Department has received NEVI plans from all 50 States, Washington, DC, and Puerto Rico.

- FAA's rulemaking committee on beyond-visual-line-of-sight UAS operations issued a final report with 70 recommendations in March 2022.

- In September 2022, FAA announced it granted the first commercial type certification to a UAS delivery provider after a 4-year process.

- As of September 21, 2022, FAA has licensed 68 commercial space launches in fiscal year 2022.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

AAM Aircraft

- *Meeting the growing interest for integrating AAM.* AAM vehicles are highly automated or autonomous aircraft for passenger or cargo transportation, including electric vertical takeoff and landing (eVTOL) aircraft (see figure). Many AAM employ low-emissions electric propulsion and can help increase access to underserved communities, thereby potentially advancing DOT policy priorities. However, these novel technologies do not readily fit into FAA's existing regulatory framework or into existing transportation infrastructures, creating challenges for FAA's aircraft certification process and operational approvals.

UAS

- *Partnering with private and Government entities to enable more complex UAS operations.* FAA made progress during the 3-year Integration Pilot Program and incorporated lessons learned into a follow-on program called BEYOND, but the path forward by FAA and industry to widespread, economically viable operations remains unclear. FAA recognizes the need for continued collaboration with State, local, and tribal governments to assess the safety of UAS and facilitate their use in application such as infrastructure inspection and law enforcement. FAA must also work with authorized Departments to ensure they safely implement counter-UAS technologies, which are designed to detect and/or mitigate rogue UAS that could threaten critical public and private activities as well as public safety and national and homeland security.

- *Implementing UAS Traffic Management (UTM).* Developing a UTM is critical for supporting safe UAS integration and growth in commercial UAS activities. While FAA has made progress with developing a UTM framework, challenges remain in establishing milestones to implement policies and processes for UTM deployment, developing safety regulations, and collaborating with stakeholders. According to FAA, to implement policies and procedures for UTM, the Agency needs to better understand industry's plans and operational proposals related to UTM concepts.

- *Incorporating DOT's innovation principles into UAS integration.* Although FAA and DOT recognize the importance of UAS innovation, work remains to advance innovation along with safety in activities such as legal interpretation and policy development. For example, FAA acknowledged the need for UAS policies that are rules-based rather than waiver-based, which could entail further collaboration with government entities and private industry. In addition, as we reported earlier this year, FAA faced challenges balancing safety with UAS innovation. FAA needs to continue incorporating lessons learned from collaboration and experimentation efforts and determine if it has sufficient data to enable complex operations, such as beyond visual line of sight.

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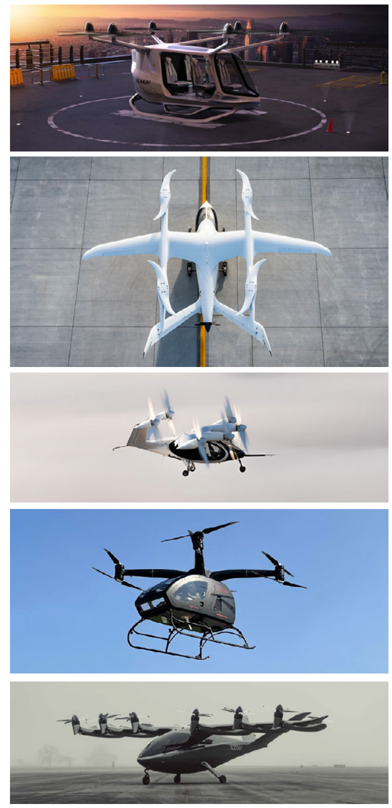
Examples of Electric Vertical Takeoff and Landing Advanced Air Mobility Aircraft



Source: AAM manufacturers (from top: Alakai Technologies; Beta Technologies; Joby Aviation [courtesy of Joby Aviation. (c) Joby Aero, Inc.]; Moog, Inc.; and Archer Aviation)

Related OIG Work

FAA Has Made Progress on a UAS Traffic Management Framework, but Key Challenges Remain (September 28, 2022)

>> 4 recommendations (4 open, 0 closed)

FAA Made Progress Through Its UAS Integration Pilot Program, but FAA and Industry Challenges Remain To Achieve Full UAS Integration (April 27, 2022)

>> 6 recommendations (6 open, 0 closed)

While FAA Is Coordinating With Other Agencies on Counter-UAS, Delays in Testing Detection and Mitigation Systems Could Impact Aviation Safety (March 30, 2022)

>> 3 recommendations (3 open, 0 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

EVOLVING OPERATIONS AND WORKFORCE MANAGEMENT

OAs Impacted
Departmentwide

Related DOT Strategic Goal
Organizational Excellence

DOT is facing immediate and long-term pressures to evolve its operations and hire and retain a right-sized workforce to meet its mission. These pressures include effective coordination to address DOT and stakeholder challenges in enhancing capacity and securing a skilled workforce to successfully deliver IIJA programs. Additionally, DOT must take steps to maximize the benefits of workforce flexibilities and the hybrid work environment in order to enhance efficiency, effectiveness, and engagement.

Coordinating Effectively To Address DOT and Stakeholder Capacity Challenges To Successfully Deliver IIJA Programs

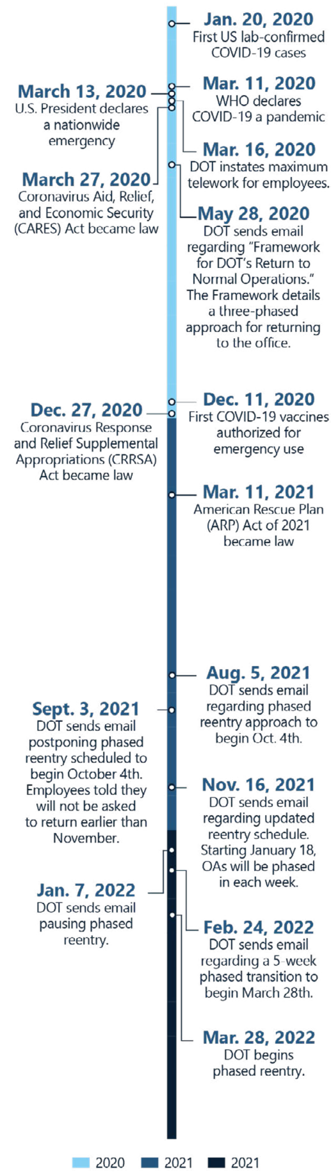
- Successful IIJA implementation will require DOT to acquire and retain sufficient staff and contractors with the knowledge, skills, and abilities to achieve program goals. According to Department plans and statements, DOT needs to hire more than 1,000 employees, including engineers, attorneys, contracting specialists, and grant managers, to implement IIJA in the near term, with a goal of 1,760 new hires by fiscal year 2026 (see figure). Acknowledging workforce and hiring challenges, DOT officials state they are working to coordinate across the Department and with the Office of Personnel Management to establish additional hiring flexibilities.

- A key challenge will be securing sufficient resources to manage and oversee IIJA's contracts and grants, including improving the qualifications and training of oversight staff. For example, in 2021, we reported that FAA may be putting Federal funds at risk by allowing its acquisition workforce to manage complex, costly, and mission-critical contracts without the required training and certifications.

- DOT will also need to remain cognizant of the challenges that non-Federal partners face and develop strategies to coordinate with those partners to mitigate risks. For example, State and local governments—often the primary recipients of Federal infrastructure investments—are facing historic shortages of skilled workers.

- DOT plans to address limited capacity among State, local, and tribal governments by building on technical assistance that it provides through the Build America Bureau. However, prior work by our office and GAO indicates the Bureau may not yet have the capacity needed to effectively carry out these efforts.

Timeline of DOT's Response to the COVID-19 Pandemic



Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Maximizing the Benefits of Workforce Flexibilities and the Hybrid Work Environment To Enhance Efficiency, Effectiveness, and Engagement

- In spring 2022, DOT implemented new policies expanding hybrid workplace arrangements as part of its reentry into the office following nearly 2 years of COVID-19 restrictions. However, recent Governmentwide surveys have indicated that most DOT employees would consider taking different positions if offered more workplace flexibilities or remote options elsewhere.
- Workforce flexibilities may also play a role in hiring and retaining employees. Competition among employers for skilled workers has intensified across the United States, and Department officials acknowledged that it has faced particular difficulty in filling certain specialized positions. As such, Department officials have described allowing the OAs flexibility to tailor human capital strategies to their needs, including the use of telework and remote work.
- However, tension between competing priorities—such as efforts to establish a common DOT brand while also allowing OAs flexibility to tailor their human capital strategies—could undermine the effectiveness and efficiency of the Department's human capital initiatives. It will be important for DOT to identify opportunities to learn from employees' experiences to build workforce engagement and cohesion as the Department seeks to remain competitive while assuring employee safety as COVID-19 workplace protocols evolve.
- In addition, DOT will need to build its capacity for developing hybrid work environments that enhance employee engagement, which can amplify operational efficiency and effectiveness. As such, DOT must assess and, as needed, adapt processes for training, knowledge retention, collaboration and problem-solving, and the management of physical space.

IIJA Hires by Operating Administration Through June 2022

OA	PHASE 1: JUNE 30, 2022 GOAL	PHASE 1: ACTUAL	PHASE 2: JULY 1 - SEPT. 30, 2022 GOAL	PHASE 3: FY23 GOAL	PHASE 4: FY24 AND BEYOND	TOTAL GOAL
FAA	166	154	55	133	0	**354**
FHWA	38	25	76	101	0	**215**
FMCSA	2	36	43	68	200	**313**
FRA	41	47	24	130	99	**294**
FTA	29	33	52	69	55	**205**
MARAD	6	11	27	2	0	**35**
NHTSA	10	16	30	60	90	**190**
OST	12	23	53	40	40	**145**
PHMSA	6	3	3	0	0	**9**
TOTAL	**310**	**348**	**363**	**603**	**484**	**1,760**

Source: OIG analysis of DOT data

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Recent Progress Reported by the Department

DOT has established a goal of hiring about 1,700 employees to respond to identified IIJA needs over the next several years (see figure). Based on DOT's data, the Department has had early success, hiring 348 employees and exceeding its 310-employee goal through June 2022.

Related OIG Work

Memorandum to the Secretary: Challenges Facing DOT in Implementing the Infrastructure Investment and Jobs Act (October 5, 2022)

>> No recommendations

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

>> 8 recommendations (8 open, 0 closed)

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

>> 8 recommendations (5 open, 3 closed)

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

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

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) 2023 Top Management Challenges

From: Victoria B. Wassmer
Assistant Secretary for Budget and Programs, and Chief Financial Officer

VICTORIA BAECHER WASSMER Digitally signed by VICTORIA BAECHER WASSMER Date: 2022.10.19 14:45:3

To: Eric J. Soskin
Inspector General

The mission of the U.S. Department of Transportation (DOT or Department) is to ensure the Nation has the world's leading transportation system, serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods. The OIG's FY 2023 Top Management Challenges report highlights risks that DOT will need to continue to focus on to drive significant progress and change in ten challenge areas.

Aviation Safety. DOT continues to work to maintain trust in the Federal Aviation Administration's (FAA) aircraft certification process. The FAA is committed to the thorough and complete implementation of the Aircraft Certification, Safety, and Accountability Act (ACSAA), as well as addressing recommendations from recent investigations and independent reviews through rulemaking, policy development, staffing studies, data sharing, and external partnership efforts.

To meet this need, the FAA drives greater transparency, collaboration, and accountability across the regulating and regulated communities, with a primary focus on:

- Strengthening corporate safety cultures to improve safety risk management and performance through mandated and voluntary action;
- Improving data availability, accessibility, and analysis through both process and infrastructure enhancements; and
- Advancing system-level safety management through better integration of the design, production, and operational approval processes.

The FAA continues to update Congress, unions, and industry stakeholders every quarter on our progress.

Inspector General's FY 2023 Top Management Challenges *(CONT.)*

Surface Transportation Safety. To reduce transportation-related deaths and serious injuries, DOT has taken numerous actions over the past year, including publishing the National Roadway Safety Strategy (NRSS), a roadmap for addressing the national crisis in roadway fatalities and serious injuries. Since launching the NRSS in January 2022, DOT and its modes have accomplished the following:

- The Department issued a call for applications for $1 billion in roadway safety funding for regional, Tribal, and local governments through the new Safe Streets and Roads for All grant program. The deadline for applications was September 15, 2022, and the Department received over 700 applications from all 50 States and Puerto Rico.
- The Department adopted a Safe Systems Approach which provides a framework to proactively create a safer transportation system and lower risks for people by building multiple layers of protection through safer roads, safer people, safer vehicles, safer speeds, and better post-crash care.
- The Department's Federal Highway Administration (FHWA) submitted a Complete Streets report to Congress and encourages States and communities to adopt and implement Complete Streets policies that prioritize the safety of all users in transportation network planning, design, construction, and operations.
- The Department's National Highway Traffic Safety Administration (NHTSA) has enhanced safety monitoring of new technologies in motor vehicles through a Standing General Order on crash reporting.
- NHTSA has also issued a request for comment on the 5-Star Safety Rating New Car Assessment Program (NCAP), proposing to add four more technologies to the ratings including: blind spot detection, blind spot intervention, lane keeping support, and pedestrian automatic emergency braking.

Implementing the Bipartisan Infrastructure Law (BIL) will provide numerous programs and actions related to addressing traffic safety, including enhancing crash data collection, providing additional formula funds for States to address their critical safety concerns, including vulnerable road users, deploying research and technology results in both infrastructure and vehicles to improve roadway safety, and advancing vehicle safety through rulemaking that provides consumers with valuable vehicle safety information.

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 national airspace system operations have been and continue to be implemented using advanced technologies. Improvements have included replacing voice-only communications with digital communications and shifting from ground-based navigation to utilizing satellites to plan routes and obtain near-real-time surveillance. The FAA continues 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 the users of our Nation's airspace. The FAA is additionally pursuing further efficiencies by deploying Performance Based Navigation

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and Controller Automation Tools that manage flight routes and procedures, leading to improved schedule adherence and reduced fuel consumption and engine exhaust emissions.

Surface Transportation Infrastructure. DOT has a strong focus on oversight and resources to address risk areas in pursuit of the program goals for BIL implementation. For example, the BIL Executive Policy Council (EPC) is responsible for overseeing the Department's implementation of the legislation in a coordinated, comprehensive, and timely manner. The EPC is chaired by the Deputy Secretary, staffed by the Office of the Under Secretary, in coordination with the Office of the Assistant Secretary for Transportation Policy, the Office of the Chief Financial Officer, the Assistant Secretary for Budget and Programs, and the Office of the General Counsel, and consists of heads of Secretarial offices and Operating Administrations with jurisdiction over programs and authorities covered by the BIL. The EPC meets regularly to resolve any barriers to successful implementation, such as budget, staffing, and other resource needs. In addition, the Office of the Under Secretary focuses exclusively on implementation. Its goal is to deliver BIL programs on time, on task, and on budget. This office coordinates BIL program execution for DOT's Operating Administrations and is the first point of contact for risks, issues, and roadblocks; and represents DOT at White House and interagency forums on implementation. DOT has also established standard frameworks for managing risk and assessing internal controls through its Enterprise Risk Management and Internal Control Programs. DOT's mature Internal Control program helped the Department attain 15 consecutive clean financial statement audit opinions. The Operating Administrations are identifying emerging risks and developing mitigation strategies on an ongoing basis using frameworks based on the Government Accountability Office (GAO) issued internal control guidance, such as the BIL Internal Control Organizational Assessment. For FY 2023, DOT's ongoing and planned efforts include fraud risk assessments of newly implemented BIL activities and Grants Management Process Reviews evaluating the design of program pre-award and post-award internal controls. DOT will sample supporting documentation of BIL transactions to confirm the effectiveness of the internal controls.

Contract and Grant Fund Stewardship. The Department remains committed to promoting effective stewardship of contract and grant funding, establishing sound pricing for contracts and grants, and ensuring qualified and sufficient oversight of these funds. In FY22, in support of the Program Management Improvement Accountability Act (PMIAA), the Office of the Senior Procurement Executive on-boarded two new Federal 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 and enhance oversight and stewardship of contract and grants funds. In addition, the Department will continue to leverage its primary 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 managing domestic preference and supply chain risk. Through participation in the government-wide Biden-Harris Administration Supply Chain Disruptions Task Force, DOT addresses congestion and fluidity across the supply chain. For example, BIL expanded and provided additional funding for several DOT Discretionary Grant programs that DOT leverages to

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enhance multi-modal connections and improve supply chain efficiency and fluidity. The Department also established a cross-modal implementation team to address and implement the improved 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.

Financial Management. DOT embraces its leadership role in providing critical resources to the Nation's transportation systems, transportation employees, and public citizens in a timely fashion while maintaining public trust in DOT's stewardship of the funds. While navigating through the COVID-19 pandemic and assisting our Nation's recovery, DOT was charged with implementing and executing the funding appropriated in BIL. In response to the significant increase in funding, the Department has enhanced its efforts related to risk identification and the continued improvement of our financial management systems. DOT must have rigorous internal controls to ensure that Federal funds reach the correct recipients, prevent improper payments, and reduce the risk of fraud, waste, and abuse. In FY 2023, DOT plans to test programs susceptible to significant improper payments and perform risk assessments for over 30 programs, many of which received BIL funding. DOT's payment integrity program will develop and implement targeted corrective action plans and monitor disbursements for trends that could trigger additional reviews. The Department remains committed to improving spending data accuracy, reliability, and transparency and made significant improvements during FY 2022. These efforts include developing and implementing enhanced visualizations and processes to identify and correct potential data quality issues and new reporting requirements. These actions also include expanded efforts toward continually improving award descriptions to increase transparency and ensure the American public can assess whether funding is achieving the intended goals and objectives.

Information Security. The Department places the highest importance on Information Security. DOT is committed to addressing cybersecurity vulnerabilities and ensuring that DOT's IT Infrastructure and Sensitive Information are protected. DOT has applied significant effort this past year to improving cybersecurity capabilities in alignment with the Administration's Zero Trust Strategy. Improvements have focused on multifactor authentication, logging, endpoint detection and response, and vulnerability management and remediation. The DOT Chief Information Officer is realigning and consolidating commodity IT functions and personnel to reduce the complexity of the control environment and implement best practices. The DOT Chief Information Officer is also continuing to invest in new technologies, including the deployment of advanced analytics and automation and 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.

Fraud Detection and Prevention. Preserving the integrity of DOT programs is essential to serve communities and provide stewardship of the public's resources. The Department is committed to preventing and detecting fraudulent activity through the use of a risk management program. The program provides a schedule and milestones to assess fraud risk and incorporates leading practices identified by GAO's Fraud Risk Management Framework. As noted by OIG, DOT plans to conduct fraud risk assessments of its BIL-funded programs by the end of FY 2023.

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DOT will also thoroughly study fraud risks associated with the Disadvantaged Business Enterprise (DBE) program. The Department considers these specific reviews and its continuous monitoring activities over financial and administrative controls to be effective fraud risk management measures. Moreover, DOT continues to seek additional opportunities to collaborate with OIG on emerging fraud risks within DOT programs and activities.

Innovation and the Future of Transportation. DOT continues to support innovation and transformation of transportation's future, focusing on safely integrating new technologies into transportation systems. As an example, to meet the future growth and complex demand for commercial space transportation, the FAA will continue to develop rulemaking related to commercial launch and reentry activities; review processes regularly with agency partners and other U. S. Government (USG) agencies with space launch, reentry, and operational safety equities; and continually update rules as the commercial space transportation industry evolves. Further, the FAA will enhance its approaches to evaluate and approve safety-critical launch vehicle components and systems; develop new analysis tools and processes utilized by the FAA engineering and technical staff and continue to leverage partnerships with other government organizations to enhance the safety of launches occurring from both Federal and non-Federal launch sites. 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, DOT will continue to prioritize climate-friendly projects in discretionary grant programs and encourage States to do so in formula programs. DOT will continue developing opportunities around sustainable transportation materials, vehicles, and fuels. As part of the Biden-Harris Administration's Buy Clean Initiative, the Department recently launched its first-ever Department-wide policy to lower the carbon emissions from procurement and materials in Federally funded infrastructure projects. DOT will continue to work with stakeholders to build out a policy that most effectively and efficiently reduces these emissions and advances more sustainable infrastructure. In addition, the Department has successfully stood up and is actively pursuing and overseeing the future-oriented goals of the Department's Nontraditional and Emerging Transportation Technology (NETT) Council and Joint Office of Energy and Transportation. The Department is also collaborating with industry and other stakeholders to develop vehicle-to-everything technologies to enhance safety by allowing vehicles to communicate with surrounding vehicles, traffic control systems, and vulnerable road users. DOT's strategic research priorities and strategies are set forth in the *Research, Development and Technology Strategic Plan for Fiscal Years 2022–2026.*

Evolving Operations and Workforce Management. The Department continues to navigate through a post-pandemic environment. Indeed, the health and wellbeing of our employees and Federal contractors remains paramount. DOT is currently re-imaging the physical workspace with the changes experienced over the past two and a half years and about six months post implementation of our future of work planning and re-defining office space. The Department recognizes that employees returning to the office will use it differently than they have traditionally. Before the pandemic, the workplace defined the work arrangement and schedule. This is no longer the case. Employees expect more flexibility that offers them a higher

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level of empowerment and engagement. The Department has to create additional flexibilities while also enhancing interconnectivity. Because of these shifts, the Department will look at more strategic and thoughtful ways to approach the worksite and ensure the right tools are available to succeed. These efforts will be reflected in the Department's FY 2024-2028 Capital Asset Plan as required by OMB Memorandum M-22-14, *FY 2024 Agency-wide Capital Planning to Support the Future of Work*, due to OMB this December. The Department also understands that these changes will also require updates to policies and orders associated with human resources, space utilization, and use of Departmental technology resources.

We appreciate the opportunity to respond to the OIG draft report. We will continue to work together to improve DOT operations and identify fraud, waste, abuse, or mismanagement in the Department's programs, activities, or operations. We are committed to building on our progress and resolving these challenges to achieve our mission to deliver the world's leading transportation system, serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods. Please contact Gary Middleton, Director, Office of Audit Relations and Program Improvement, at 771-200-6799, 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 2022 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. Two DOT programs or activities were susceptible to significant improper payments and subject to the FY 2022 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 and pandemic relief supplemental funds for the repair or reconstruction of highways and roads.
- FTA's TIG – COVID Relief Funds includes funding provided by the CARES Act, CRRSAA, and ARPA to support the nation's public transportation systems as they respond to the COVID-19 pandemic.

The FY 2022 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid along with reduction targets.

FY 2022 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)]	$ 48,440.13	$ 47,891.18	98.87%	$548.95	1.13%
FTA TIG - COVID Relief Funds[(1)]	$ 13,173.53	$ 12,966.93	98.43%	$206.60	1.57%

[(1)] For FY 2022 testing, the program or activity reviewed payments made from October 1, 2020 to September 30, 2021.

In addition to estimating IPs, the Department performed 5 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 recovery audit. More information on the Department's FY 2022 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 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	2022	$103,050	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	2022	$37,377	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	2022	$1,644	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	2022	$14,950	OST	https://www.federalregister.gov/

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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	2022	$7,475	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	2022	$3,738	OST	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2022	$976	Federal Railroad Administration (FRA)	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Ordinary maximum rail safety penalty	2008	2022	$31,928	FRA	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2022	$127,712	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2022	$540	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2022	$89,678	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2022	$209,249	FRA	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2022	$1,195	Federal Motor Carrier Safety Administration (FMCSA)	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2022	$11,956	FMCSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 521(b)(7)	Appendix A IV (a) Out-of-service order (operation of commercial motor vehicle (CMV) by driver)	1990	2022	$2,072	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	2022	$20,719	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	2022	$2,072	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	2022	$20,719	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	2022	$1,036	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	2022	$29,893	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	2022	$26,269	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	2022	$16,864	FMCSA	https://www.federalregister.gov/

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49 U.S.C. 521(b)(7)	Appendix A IV (j) (conducting operations during suspension or revocation)	1984	2022	$26,269	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2022	$1,388	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2022	$13,885	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2022	$13,885	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2022	$16,864	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2022	$4,216	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	2022	$3,471	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	2022	$6,943	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2022	$6,269	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	2022	$3,471	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	2022	$6,943	FMCSA	https://www.federalregister.gov/

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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	2022	$6,269	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	2022	$34,712	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	2022	$17,995	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2022	$18,500	FMCSA	https://www.federalregister.gov/
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	2022	$89,678	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	2022	$540	FMCSA	https://www.federalregister.gov/

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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	2022	$89,678	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	2022	$89,678	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	2022	$89,678	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	2022	$209,249	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	2022	$29,893	FMCSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 5123(a)(1)	Appendix B (f)(2) Operating after being declared unfit by assignment of a final “unsatisfactory” safety rating (hazardous materials)—maximum penalty	2012	2022	$89,678	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	2022	$209,249	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(1) Violations of the commercial regulations (CR) (property carriers)	2012	2022	$11,956	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2022	$11,956	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(3) Violations of the CRs (passenger carriers)	2012	2022	$29,893	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	2022	$11,956	FMCSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 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	2022	$16,443	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	2022	$41,110	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	2022	$23,915	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	2022	$47,829	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	2022	$1,798	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).

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(e)	Appendix B (g)(8) Violation of the CRs (weight of HHG shipment, charging for services)—minimum penalty for first violation	1995	2022	$3,600	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 subsequent violation	1995	2022	$8,998	FMCSA	https://www.federalregister.gov/
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2022	$179,953	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—first violation	1995	2022	$359	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—subsequent violations	1995	2022	$449	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	2022	$901	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(1)	Appendix B (g)(12) Tariff violations (freight forwarders)—maximum penalty for subsequent violations	1995	2022	$3,600	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	2022	$901	FMCSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 14904(b)(2)	Appendix B (g)(13) Service from freight forwarder at less than rate in effect—maximum penalty for subsequent violation(s)	1995	2022	$3,600	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14905	Appendix B (g)(14) Violations related to loading and unloading motor vehicles	1995	2022	$17,995	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	2022	$1,195	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	2022	$8,998	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14908	Appendix B (g)(17) Unauthorized disclosure of information	1995	2022	$3,600	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	2022	$901	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14915	Appendix B (g)(21)(i) Knowingly and willfully fails to deliver or unload HHG at destination	1995	2022	$17,995	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	2022	$13,885	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 (d)(3)	Appendix B (g)(23) HHG transportation or broker services—registration requirement	2005	2022	$34,712	FMCSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 521(b)(2)(E)	Appendix B (h) Copying of records and access to equipment, lands, and buildings—maximum penalty per day	2005	2022	$1,388	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	2022	$13,885	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	2022	$2,392	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	2022	$5,978	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 subsequent violation(s)	2012	2022	$2,988	FMCSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 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	2022	$8,958	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	2022	$2,392	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	2022	$5,978	FMCSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2022	$239,142	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	2022	$2,391,412	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(2)	Maximum additional penalty for each liquefied natural gas pipeline facility violation.	1996	2022	$87,362	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2022	$1,388	PHMSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 5123	Maximum penalty for hazardous materials violation	2012	2022	$89,678	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	2022	$209,249	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2022	$540	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	2022	$24,423	National Highway Traffic Safety Administration (NHTSA)	https://www.federalregister.gov/
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for a related series of violations of: 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	2022	$122,106,996	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	2022	$13,885	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	2022	$20,827,441	NHTSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 30165(a)(4)	Maximum penalty per violation for filing false or misleading reports	2012	2022	$5,978	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	2022	$1,195,707	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	2022	$1,949	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	2022	$3,198	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	2022	$3,561,551	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	2022	$3,198	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	2022	$1,744,386	NHTSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 32308(c)	Maximum penalty for each violation related to the tire fuel efficiency information program	2007	2022	$66,191	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	2022	$1,949	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2022	$11,956	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	2022	$1,195,707	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32710	Maximum penalty amount per violation related to odometer tampering and disclosure with intent to defraud.	2012	2022	$11,956	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	2022	$2,627	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	2022	$656,665	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	2022	$195,054	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	2022	$45,273	NHTSA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C 32912(a)	Maximum civil penalty for violations under 49 U.S.C. 32911(a) related to automobile fuel economy	1975	2022	$45,973	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	2022	$22,967	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	2022	$57,527	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	2022	$23,115	MARAD	https://www.federalregister.gov/
46 U.S.C. 50113(b)	Maximum civil penalty for failure to file an Automated Mutual Assistance Vessel Rescue System (AMVER) report	1956	2022	$146	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	2022	$29,074	MARAD	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
46 U.S.C. 12151	Maximum civil penalty for violations in applying for or renewing a vessel's fishery endorsement	1998	2022	$168,651	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	2022	$27,344	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	2016	2022	$28,605	FAA	https://www.federalregister.gov/
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	2022	$37,377	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	2022	$1,644	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	2022	$1,644	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	2022	$14,950	FAA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 46301(a)(5)(B)(i)	Violation by an individual or small business concern related to the transportation of hazardous materials	2003	2022	$14,950	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	2022	$14,950	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	2022	$14,950	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	2022	$14,950	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2022	$4,799	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	2022	$26,066	FAA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 46318	Physical or sexual assault or threat to physically or sexually assault crewmember or other individual on an aircraft, or action that poses an imminent threat to the safety of the aircraft or individuals on board	2000	2022	$39,247	FAA	https://www.federalregister.gov/
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2022	$14,950	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	2022	$22,884	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	2022	$262,666	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	2012	2022	$89,678	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	2022	$209,249	FAA	https://www.federalregister.gov/

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 5123(a)(3)	Minimum penalty for violation of hazardous materials transportation law relating to training	2012	2022	$540	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	2022	$89,678	FAA	https://www.federalregister.gov/
49 U.S.C. 44704(d)(3)(B)	Knowing presentation of a nonconforming aircraft for issuance of an initial airworthiness certificate by a production certificate holder	2020	2022	$1,062,220	FAA	https://www.federalregister.gov/
49 U.S.C. 44704(e)(4)(A)	Knowing failure by an applicant for or holder of a type certificate to submit safety critical information or include certain such information in an airplane flight manual or flight crew operating manual contrary to 49 U.S.C. 44704(e)(1)-(3)	2020	2022	$1,062,220	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, 2022. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2022.

	Age of Expiration		
Category	2-3 Years - FY 2019-2020	>3-5 Years - FY 2018-2019	>5 Years - Before 2017
Number of Grants/Cooperative Agreements with Zero Dollar Balances	1,451	1,199	1,508
Number of Grants/Cooperative Agreements with Undisbursed Balances	520	621	164
Total Dollar Amount of Undisbursed Balances	$ 78,905	$ 18,142	$ 4,489

DOT has made significant progress in closing out grant awards in FY 2022. Specific actions taken to improve closeouts include updating systems to include a field 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; grants officer training for new personnel; 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 that negatively impacted the closeout process, to include the time required to close awards (i.e., manual process). States that were issued grants are also more likely to focus on new and ongoing awards than allocating resources to the close-out 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.

Climate-Related Financial Risk (UNAUDITED)

CLIMATE ACTION PLANS, SUSTAINABILITY REPORTS, AND IMPLEMENTATION PLANS

- 2022 DOT Climate Action Plan: The 2022 DOT Climate Action Plan was not available in time for inclusion of its weblink in the FY 2022 DOT AFR. The 2021 DOT Climate Action Plan is available for review at the following weblink: https://www.transportation.gov/sustainability/climate/dot-climate-action-plan-resilience-pdf. DOT will make the 2022 Climate Action Plan available on its website once it has been issued.
- 2022 DOT Sustainability Plan: The 2022 DOT Sustainability Plan was not available in time for inclusion of its weblink in the FY 2022 DOT AFR. DOT will make the 2022 Sustainability Plan available on its website once it has been issued. Once available, the plans can be accessed at https://www.transportation.gov/.

FY 2021 BUDGET AUTHORITY AND OUTLAYS

In FY 2021, DOT engaged in the actions listed below to help reduce the Federal Government's exposure to climate-related financial risks. Related outlays for each activity include:

- $130 thousand for improvements in energy efficiency and the capability of future climate-related risks;
- $90 thousand for tools used to assess exposure to future climate risks; and
- $2 thousand for flood mitigation, flood communication, and flood mapping activities.

CLIMATE RISK GOVERNANCE, STRATEGY, RISK MANAGEMENT, AND METRICS INFORMATION

OST is responsible for the oversight of climate-related risks and opportunities, through the leadership of the Deputy Assistant Secretary for Climate Policy and Chief Sustainability Officer (CSO), in coordination with the Department's modal OAs, the Office of the General Counsel, and the Office of the Chief Financial Officer. Additionally, the Office of Policy, within OST, coordinates climate adaptation actions with support from DOT's Climate Change Center.

Within OST, the Office of the Assistant Secretary for Administration and Department's CSO (as delegated by 49 Code of Federal Regulations (CFR) 1.38(c)(2)) is responsible for assessing and managing climate-related risks for DOT property, plant, equipment, and operations.

The Department's infrastructure is comprised of office buildings, air traffic control towers, research facilities and laboratories, ship fleets, academic buildings, heavy machinery, vehicle fleets, electrical substations, safety test tracks, data centers, and facilities associated with critical safety communication assets. These assets are located across the United States and are susceptible to climate change. The anticipated climate impacts on these assets include temperature increase, precipitation change, extreme storms, sea level rise, change in snowmelt, ecosystem degradation, and land change.

For example, air traffic control towers may experience higher frequency of storms and stronger winds than they were designed to withstand. Additionally, high heat or storms may hinder communication systems and halt activities. Moreover, heat waves and extreme storms could affect the reliability of facility power and could cause fires and other disruptions. Facilities located near water sources are expecting significant flooding risk due to sea level rise and increased frequency of storms. As such, climate change, without specific action, may damage DOT buildings and equipment, potentially jeopardizing the safety and health of DOT employees, the travelling public, and interstate commerce.

Given the great diversity of asset types held, the Department will need to develop multiple strategies to ensure climate resilience at its facilities. First, the Department has identified its major mission-critical buildings and operational assets. Mission-critical buildings are DOT-leased or -owned facilities that support activities that cannot be disrupted. Mission-critical assets include non-building infrastructure (e.g., ships or equipment), operations, and activities that support statutory goals, provide vital services, and maintain the safety and health of the public. In addition, mission-critical operations include activities completed in support of DOT's own business processes.

Second, the Department will continue performing climate change vulnerability assessments for mission-critical buildings and operational assets using the internally developed Climate Hazard and Exposure Risk (CHER) tool. The CHER tool combines climate projections (heat and precipitation data) from downscaled global climate models with critical system vulnerability data and historical exposure data from the Federal Emergency Management Agency's (FEMA's) national risk index to calculate a more robust site-specific climate-risk score for Departmental mission-critical assets. Each OA (except FAA) is anticipated to complete assessments of their mission-critical assets by November 2022. The plan for FAA is more complex due to 1) the quantity of real property assets, and 2) training key personnel necessary to perform the nationwide assessment. Upon completion of the assessment, each

Climate-Related Financial Risk (UNAUDITED) *(CONT.)*

mission-critical building and operational asset will have a climate risk score which can be ranked in priority order and addressed through adaptation strategies as resources are available.

Finally, to proactively integrate climate resilience into existing management processes, OAs can incorporate priority adaptation and mitigation strategies into their Capital Asset Plans, new building design standards, and facility operation and maintenance schedules.

OST has developed internal energy, environmental, and sustainability performance metrics. Aligned with the Administration's climate and environmental priorities, these metrics will include ambitious adaptation targets along with other important energy, environmental, and procurement actions. The internal report will also establish accountability and governance across the agency, ensuring DOT leads by example through continued progress. The Department's CSO and the DOT Climate Change Center, with representatives from across all DOT offices, will oversee and coordinate these efforts.

The link to the Department's 2021 Scope 1 and 2 greenhouse gas emissions is provided here: https://www.sustainability.gov/dot.html#s12

Audit Resolution Report (UNAUDITED)

DOT's managers are mindful of the statutory requirements included in the Inspector General Act, as amended; OMB Circular A-50, *Audit Follow-up*; and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Management has a responsibility to complete actions, in a timely manner, on audit recommendations where DOT has reached agreement with the OIG. Management must make a decision regarding audit recommendations within a six-month period after the issuance of the audit report and implement a management decision within one year, to the extent practicable.

On October 1, 2021, the Department had a beginning balance of 516 audit recommendations. During FY 2022, the OIG issued a total of 187 audit recommendations—6 in Funds Put to Better Use, 8 in Questioned Cost, 4 Unsupported Cost, and 169 (non-financial) procedural recommendations. During FY 2022, the Department closed 194 recommendations, which left 508 recommendations open at the end of the fiscal year. Of the number closed, 169 were procedural or non-monetary; 17 were questioned costs, which represented $540,681; however, only $412 in disallowed costs was recoverable, which DOT recovered. As of September 30, 2022, DOT has no recommendations over six months old without a management decision, and three recommendations had a management decision more than a year old.

The tables below show that DOT made management decisions to act on 18 audit recommendations during FY 2022. In addition, the Agency completed final action for 17 monetary audit recommendations that represented $4.2 million in collections.

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE		
	Recommendations	Dollar Value
Management Decisions		
Beginning Balance on October 1, 2021	14	$7,526,271,462.00
Management Decisions During the Fiscal Year	6	$1,160,025,623.00
Total Management Decisions Made	20	
Final Actions:		
Recommendations Implemented	8	$7,200,367,559.00
Recommendations not Implemented	0	$1,485,929,526.00
Ending Balance on September 30, 2022[1]	12	$1,485,929,526.00

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE		
	Recommendations	Dollar Value
Management Decisions		
Beginning Balance on October 1, 2021	49	$276,556,778.00
Management Decisions During the Fiscal Year	12	$386,988,897.00
Total Management Decisions Made	61	$663,545,675.00
Final Actions:		
Collections/Offsets	11	$4,252,434.00
Allowable Costs	6	$386,346,409.00
Total Final Actions[2]	17	$390,598,843.00
Ending Balance on September 30, 2022[1]	44	$272,946,832.00

Note: The data in these tables do not include procedural (non-monetary) audit recommendations.
1 "Ending Balance September 30, 2022" equals "Total management decisions made" less "Total Final Actions."
2 A single audit recommendation can involve multiple recovery types (collections/offset, other recovery, write-offs).

Acronyms List

A	
AASHTO	American Association of State Highway and Transportation Officials
AATF	Airport and Airway Trust Fund
AEC	Atomic Energy Commission
AFM	Airplane Flight Manuals
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
AMJP	Aviation Manufacturing Jobs Protection
APG	Agency Priority Goals
APR	Annual Performance Report
ARPA	American Rescue Plan Act of 2021
ARRA	American Recovery and Reinvestment Act of 2009
ATIP	Automated Track Inspection Program
B	
BIL	Bipartisan Infrastructure Law
C	
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDL	Commercial Driver’s License
CERCLA or Superfund	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CHER	Climate Hazard and Exposure Risk
CIP	Construction-in-progress
CISO	Chief Information Security Officer
CMMS	Computerized Maintenance Management System
COVID-19	Coronavirus Disease 2019
CR	Commercial Regulations
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act of 2021
CSO	Chief Sustainability Officer
CSRS	Civil Service Retirement System
CY	Calendar Year
D	
DATA Act	Digital Accountability and Transparency Act of 2014
DBE	Disadvantaged Business Enterprise
DM&R	Deferred Maintenance and Repairs
DoD	Department of Defense
DOE	Department of Energy

Acronyms List *(CONT.)*

D	
DOL	Department of Labor
DOT	Department of Transportation
E	
ERM	Enterprise Risk Management
ESC	Enterprise Services Center
EV	Electric Vehicle
eVTOL	Electric Vertical Takeoff and Landing
F	
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST Act	Fixing America's Surface Transportation Act of 2015
FCEE	Federal Civilian Enterprise Essential
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FEMA	Federal Emergency Management Agency
FERS	Federal Employee Retirement System
FFB	Federal Financing Bank
FFGA	Full Funding Grant Agreement
FFMIA	Federal Financial Management Improvement Act of 1996
FHWA	Federal Highway Administration
FISMA	Federal Information Security Modernization Act of 2014
FITARA	Federal Information Technology Acquisition Reform Act
FMCSA	Federal Motor Carrier Safety Administration
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FY	Fiscal Year
G	
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
G-Invoicing	Government Invoicing
GHG	Greenhouse Gas
GLS	Great Lakes Saint Lawrence Seaway Development Corporation
GSA	General Services Administration

Acronyms List *(CONT.)*

G	
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
H	
HPC	Highway Planning and Construction
HTF	Highway Trust Fund
HVA	High-Value Assets
I	
IGT	Intragovernmental Agreements
IIJA	Infrastructure Investment and Jobs Act
IP	Improper Payment
IPT	Integrated Project Team
IRS	Internal Revenue Service
IT	Information Technology
ITSS	IT Shared Service
M	
MARAD	Maritime Administration
MBRC	Minority Business Resource Center
MFA	Multifactor Authentication
N	
NAS	National Airspace System
NDRF	National Defense Reserve Fleet
NETT	Nontraditional and Emerging Transportation Technology
NEVI	National Electric Vehicle Infrastructure
NextGen	Next Generation Air Transportation System
NHPP	National Highway Performance Program
NHS	National Highway System
NHTSA	National Highway Traffic Safety Administration
NIST	National Institute of Standards and Technology
NOFO	Notice of Funding Opportunities
NRC	Nuclear Regulatory Commission
NRSS	National Roadway Safety Strategy
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

Acronyms List *(CONT.)*

O	
OST	Office of the Secretary
OST-P	Office of the Assistant Secretary for Transportation Policy
OST-R	Office of the Assistant Secretary for Research and Technology
OTA	Office of Tax Analysis
P	
PCB	Polychlorinated Biphenyls
PHMSA	Pipeline and Hazardous Materials Safety Administration
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
PIPES Act	Protecting Our Infrastructure of Pipelines and Enhancing Safety Act of 2020
PIV	Personal Identity Verification
P.L .	Public Law
PMIAA	Program Management Improvement Accountability Act
PMO	Project Management Office
POA&M	Plan of Actions and Milestones
PPE	Property, Plant and Equipment
R	
RCRA	Resource Conservation and Recovery Act of 1976
R&D	Research and Development
RRF	Ready Reserve Force
RRIF	Railroad Rehabilitation and Improvement Financing
RSI	Required Supplementary Information
S	
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SFFAS	Statement of Federal Financial Accounting Standards
SMS	Safety Management System
SOC	Service Organization Control
SSAE-18	Statement on Standards for Attestation Engagements 18
STBG	Surface Transportation Block Grant
STIP	States' Transportation Improvement Program
T	
TAS	Treasury Account Symbol
TIFIA	Transportation Infrastructure Finance and Innovation Act
TIG	Transit Infrastructure Grants
TSCA	Toxic Substances Control Act
TTC	Transportation Technology Center

Acronyms List *(CONT.)*

U	
UAS	Unmanned Aircraft Systems
UEI	Unique Entity Identifier
URA	Uniform Relocation Act
U.S.C.	United States Code
USMMA	United States Merchant Marine Academy
USSGL	United States Standard General Ledger
UTM	UAS Traffic Management
V	
VMT	Vehicle Miles Traveled
Z	
ZTA	Zero Trust Architecture