



U.S. Department
of Transportation

AGENCY FINANCIAL REPORT

FISCAL YEAR

2023



TABLE OF CONTENTS

3	FOREWORD
4	MESSAGE FROM THE SECRETARY
6	MANAGEMENT’S DISCUSSION AND ANALYSIS
6	DOT Mission
6	Overview of Legislative Authorities
6	Organization
7	Organizational Chart
8	Operating Administrations and Independent Organizations
9	Performance Summary and Highlights
17	Financial Highlights
21	FY 2023 FMFIA Assurance Letter to the President
22	Analysis of Entity’s Systems, Controls, and Legal Compliance
26	Climate-Related Risk
27	FINANCIAL REPORT
27	Message from the Assistant Secretary for Budget and Programs and CFO
29	Office of Inspector General Quality Control Review
35	Independent Auditors’ Report
46	Management’s Response to the Independent Auditors’ Report
47	Principal Financial Statements
52	Notes to the Principal Financial Statements
109	Required Supplementary Information
114	OTHER INFORMATION
114	Summary of Financial Statement Audit and Management Assurances
115	Non-Federal Physical Property Annual Stewardship Information Transportation Investments
117	Inspector General’s FY 2024 Top Management Challenges
150	Payment Integrity Information Act Reporting
151	Civil Monetary Penalty Adjustment for Inflation
171	Grant Programs
172	Climate-Related Financial Risk
174	Audit Resolution Report
176	Acronyms List
180	Contact Us

FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2023 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 2023 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 2023 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 2024 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 2023 APR will be produced in conjunction with the FY 2024 Annual Performance Plan and FY 2025 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 are available on DOT's website at <https://www.transportation.gov/budget>.

MESSAGE FROM THE SECRETARY

NOVEMBER 15, 2023



I am pleased to present the U.S. Department of Transportation's Fiscal Year 2023 Agency Financial Report, which 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 (DOT) fiscal operations.

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.

In pursuit of that mission, we continue to overcome serious challenges. The transportation sector is still building back after being upended by the global pandemic. We continue work to strengthen supply chains that were snarled by COVID and keep bringing inflation down, reverse the years-long

rise in traffic deaths, change the decades-long status quo so America no longer endures over 1,000 train derailments every year, keep America's skies the safest in the world, correct decades-long inequities in our transportation systems, protect America's infrastructure from the extreme weather and combat climate change, and more.

To help meet these challenges, and to make the most of the transformative opportunities ahead of us, President Biden has tasked the Department with carrying out historic investments through his Bipartisan Infrastructure Law (BIL)—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. To oversee and guide the implementation of BIL, DOT is reinforcing a world-class organization with the talent and capacity to deliver.

The Department has gotten off to a strong and rapid start in its implementation of BIL. To date, DOT has crossed the \$200 billion mark in projects funded by BIL. These projects range from port infrastructure improvements to new airport terminals to bridge modernizations that have been announced, funded, or launched across the country. And the Biden-Harris Administration has updated the policies that go along with these investments to benefit American workers—from stronger Buy America rules to a comprehensive update of the rules around the wages and benefits on federal projects to give construction workers a much-deserved raise. Through BIL, we are not only modernizing America's infrastructure; we are generating huge amounts of work across the country and creating jobs that grow our economy and give people with or without a college degree an opportunity to make a good living.

Our transportation strategy is built on the following pillars: safety, economic strength and global competitiveness, equity, climate and sustainability, transformation, and organizational excellence.

The Department continues its strong history of accountability, responsibility, and financial stewardship to American taxpayers and prioritizes effectiveness and efficiency to make the most of every taxpayer dollar. This has resulted in DOT being able to continuously provide world-class financial management and oversight of departmental funds. As implementation of the Bipartisan Infrastructure Law continues, focus will remain on advanced planning and improvements to our financial processes, systems, and control environment to deliver on the generational opportunity that BIL represents. DOT also remains 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.

MESSAGE FROM THE SECRETARY (*Cont.*)

OVERVIEW OF THE FISCAL YEAR 2023 FINANCIAL RESULTS

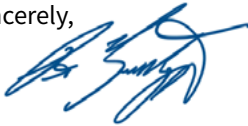
I am pleased to share that for the 17th consecutive year, we have received an unmodified opinion, providing reasonable assurance that the financial statements are reported fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.

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

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

The Department's many accomplishments would not be possible without the continued dedication and perseverance of our workforce. Their hard work has continually advanced DOT's mission on behalf of the American people. I am honored to be able to work with these remarkable public servants to deliver for the country.

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 (R&D) 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.

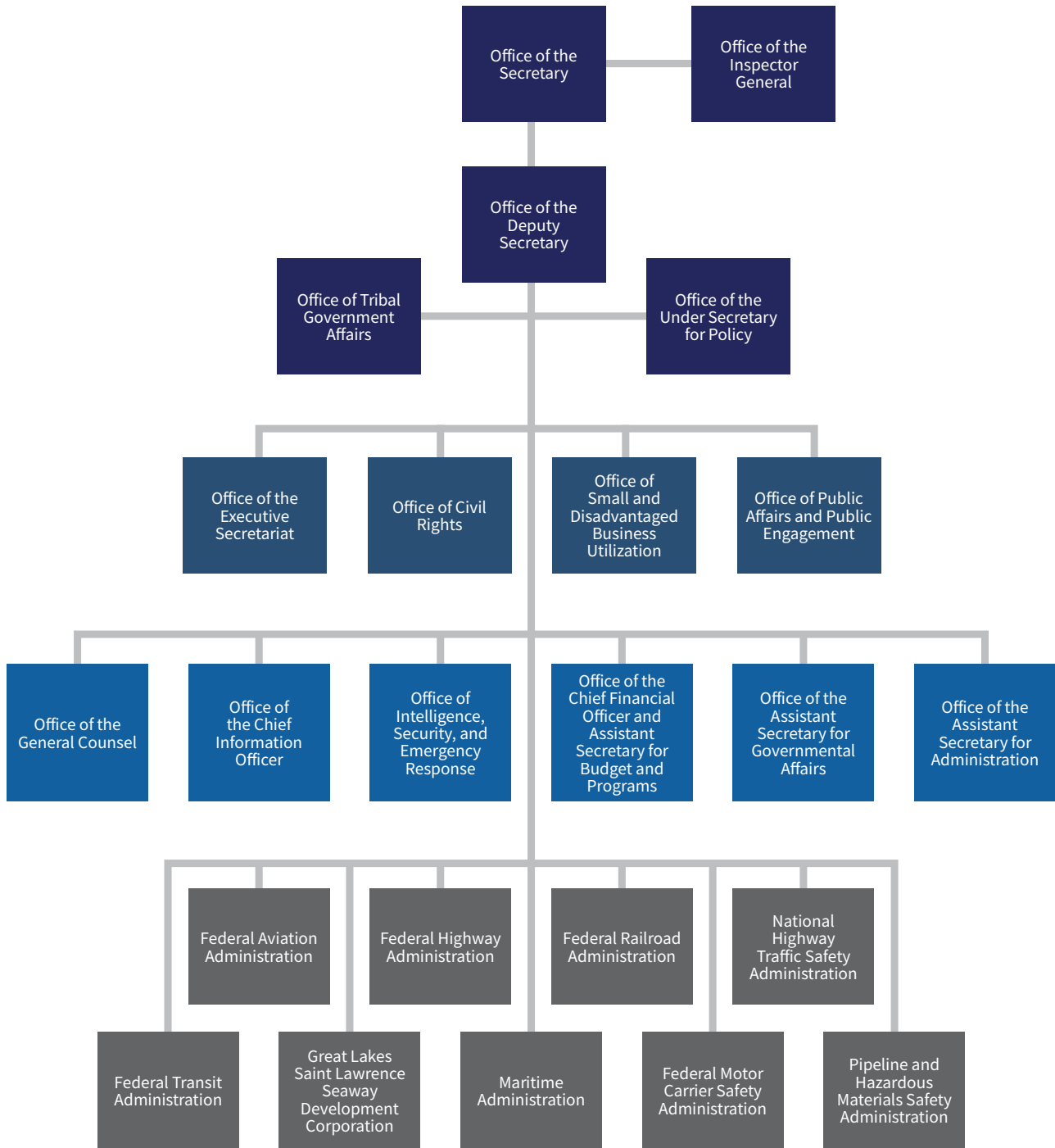
Organization

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 55,700 people in the Office of the Secretary (OST) and through 10 Operating Administrations (OAs) and Bureaus, each with its own management and organizational structure.

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

Organizational Chart



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 deliver a world-class system that advances safe, efficient, equitable, and sustainable mobility choices for all while strengthening the Nation's economy.

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 due to road traffic crashes through education, research, safety standards, and enforcement.

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 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, which are outcome-oriented, long-term goals for the major functions and operations of DOT that are updated every four years. [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, which reflect the more specific outcomes or management impacts that DOT is trying to achieve in these strategic goals, support the transformational initiatives made possible by the [Bipartisan Infrastructure Law \(BIL\)](#), which was 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.

Safety is DOT's top priority. Safety at DOT is a multimodal effort encompassing rail, marine vessel, pipeline, aviation, and roadway incidents and crashes.

The National Roadway Safety Strategy (NRSS) outlines the Department's comprehensive approach to significantly reducing serious injuries and deaths on our Nation's highways, roads, and streets. It is the first step in working toward an ambitious long-term goal of reaching zero roadway fatalities. The NRSS is a collaborative effort between the OST and the OAs whose roles and responsibilities encompass safety, including the Federal Highway Administration (FHWA), Federal Motor Carrier Safety Administration (FMCSA), National Highway Traffic Safety Administration (NHTSA), Federal Transit Administration (FTA), and Federal Railroad Administration (FRA).

With the release of DOT's first NRSS in January 2022, DOT committed to carrying out 29 key actions that the Department would undertake over the three following years to work towards zero fatalities and serious injuries. The February 2023 NRSS Progress Report includes commitments to 15 additional high-impact activities. Notable activities to date include launching a Complete Streets initiative to prioritize the safety of all users, implementing the Drug and Alcohol Clearinghouse to help State Driver Licensing Agencies identify commercial driver's license (CDL) holders who have tested positive for a controlled substance/alcohol, articulating a "road map" for the New Car Assessment Program (NCAP) to encourage safety technologies in motor vehicles, publishing a notice of proposed rulemakings to equip automatic emergency braking on both light and heavy vehicles, and awarding over \$800 million in funding for the Safe Streets and Roads for All (SS4A) discretionary

grant program.

Additionally, FRA focused on railroad certification, training, and qualification standards to decrease the employee on-duty injury and illness rate. Under the FY 2021 Consolidated Rail Infrastructure and Safety Improvements program, FRA selected projects to improve nearly 400 grade crossings. FMCSA with State and local partners focused on roadway safety by equitably increasing highly visible CMV traffic enforcement against risky driver behavior, focusing on high crash locations, increasing investigations on carriers demonstrating the riskiest behaviors, and increasing safety audits of new entrants into the motor carrier industry.

FAA is partnering with industry to analyze and develop strategies using a non-regulatory, proactive, and data-driven approach to achieve higher levels of safety. Continuing and expanding these partnerships has provided opportunities to develop innovative methods to increase general aviation safety, including conducting outreach on risk and risk mitigation events, such as conducting runway safety outreach through the From the Flight Deck video series that highlight surface safety.

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is focusing on reducing the total number of pipeline incidents/accidents and fatalities through updated information collection, promoting the Safety Management Systems (SMS), and working with State partners to improve their damage prevention programs and laws.

Performance Summary and Highlights (CONT.)

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. The BIL includes five-year reauthorization (FY 2022-2026) of surface transportation programs and direct advanced appropriations. Total transportation funding in this five-year package is over \$660 billion with

more than 10,000 projects connected to these investments. These investments are creating jobs across the transportation and warehouse sector, both in building the new infrastructure and then operating and using it once built. BIL implementation is also working to relieve supply chain bottlenecks by making investments across transportation modes.

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 is expanding 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) has progressed on a pilot transportation cost burden measure to better understand this major category of household expense that reflects regional costs, not just the National costs. A transportation Cost Burden element has been incorporated into the [Justice40 ETC Explorer disadvantaged communities tool](#).

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 meet its FY 2023 Small Disadvantaged Business goal of 20.5 percent.

Additional activities in FY 2023 included establishment of an Advisory Committee on Transportation Equity (ACTE) under the Federal Advisory Committee Act (FACA), 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 (GHG) emissions and transportation-related pollution and build more resilient and sustainable transportation systems to benefit and protect communities.

The transportation sector is the biggest contributor to GHG emissions in our economy; therefore, it can and must be a big part of the climate solution. Across DOT, we have a tremendous opportunity to accelerate reductions in greenhouse gas emissions from the transportation sector and make our transportation infrastructure more resilient.

DOT worked in coordination with the U.S. Department of Energy (DOE), and the U.S. Department of Housing and Urban Development (HUD) to release the [U.S. National Blueprint for Transportation Decarbonization in January 2023](#), which is the landmark interagency framework of strategies and actions to remove all emissions from the transportation sector by 2050.

The Department is advancing 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 continues to support efforts to tackle the climate crisis in an equitable manner through the guidance of [Executive Order 14008](#) and [Justice40](#). DOT is part of the government-wide initiative that aims to deliver at least 40 percent of the overall benefits of climate-related federal investments to disadvantaged communities.

In FY 2023, DOT issued Notices of Funding Opportunity (NOFOs) that advance the Department's climate and sustainability goal. These NOFOs include the [Charging and Fueling Infrastructure \(CFI\) Program](#), which was released in collaboration with the Joint Office of Energy and Transportation. It also include the [National Electric Vehicle Infrastructure \(NEVI\) Program](#) and its [Electric Vehicle Charger Reliability and Accessibility Accelerator](#), the [Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation Program \(PROTECT\)](#), [Fueling Aviation's Sustainable Transition](#), and the [Low-or No-Emission Grant Program](#).

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.

Improving the Nation's transportation system requires fundamental transformations to our infrastructure, our technology, and our approaches to problem-solving. Making our system safer, more efficient, more sustainable, and more equitable requires a renewed commitment to science, learning, and innovation. 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 2023, DOT identified 45 research projects reported by the Operating

Administrations that focus on breakthrough technologies, nearly an increase of 700% over the previous year. The technologies range from automated inspection methods to enable targeted planning of maintenance, tools to assess and enhance the resiliency of highway bridges, automated vehicles, and fiber-optic excavation monitoring sensor system. DOT issued guidance in FY 2023 to track annual updates to its research database and to monitor innovative projects. Finally, the Department continues to improve the accessibility of datasets around transportation planning 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.

The Department is dedicated to serving the American public and commits to continuously improving practices and processes to better meet the Nation's needs. DOT is entrusted with considerable resources and the responsibility of using these resources accountably and efficiently to deliver results. The Department continually improves its delivery of responsive, efficient, and accessible government services to its customers and further develops its high-performing workforce.

The Department is implementing frameworks for measuring, monitoring, and improving Organizational Health and Organizational Performance (OHOP) in the context of evolving agency work environments within agency operating units. For example, expanding targeted hiring initiatives for persons with disabilities, partnering with Historically Black Colleges and Universities to help boost diversity in the job applicant pool, and offering Diversity Hiring and Unconscious Bias

trainings for supervisors and managers. DOT has exceeded its FY 2023 BIL hiring goal and has already achieved 75% of its five-year hiring goal.

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. Through sustainability initiatives, the Department reduced energy use at its facilities using carbon pollution-free electricity, and diverted more than half of its non-hazardous municipal solid waste from landfills. The Department continued to develop and manage data systems and tools to support decision-making, transparency, and accountability including 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. The Department has five APGs spanning FY 2022 through FY 2023. Learn more about the APGs at [Performance.gov](#). They reflect the Biden-Harris Administration's leadership 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. The APG cycle concludes with the end of FY 2023 and the quarterly updates show our trajectory towards meeting or exceeding the targets.

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/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

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Target	1.02	1.01	1.01	1.25	1.22	1.22
Actual	1.11	1.34	1.33	1.35*	N/A	N/A

* The Calendar Year (CY) 2022 fatality rate is estimated values only and subject to change. The final CY 2022 data 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	6.4	6.2	5.9	5.7	5.4	5.2	4.9	4.7
Actual	0.3	0.1	0.5	0.6	0.0	1.4	0.1*	N/A

* FY 2023 data as of June 30, 2023. The final FY 2023 data will not be available in time for publication of the AFR.

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	0.75	0.89	0.71*	N/A

* FY 2023 data as of June 30, 2023. The final FY 2023 data will not be available in time for publication of the AFR.

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

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

*CY data will not be available in time for publication of the AFR.

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%	N/A*	TBD

*CY data will not be available in time for publication of the AFR.

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

	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
Target	95.0%	95.5%	95.0%	95.0%	95.0%	95.0%
Actual	95.4%	95.7%	95.8%	95.8%	95.8%	N/A*

*CY data will not be available in time for publication of the AFR.

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%	N/A*	TBD

*FY data will not be available in time for publication of the AFR.

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%	21.25%	*20.14%	TBD

*FY 2023 data is as of June 30, 2023. Final FY data will not be available in time for publication of the AFR.

APG 5: JOINT U.S. DOT/DOE EV 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;
- Providing technical assistance to school districts and transit operators deploying electric school and transit buses under BIL programs; and
- Increasing the number of public EV charging ports to 160,000 by the end of CY 2023 (Dec. 31).

Performance Summary and Highlights (CONT.)

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*	CY 2023	CY 2024
Milestones	Approve 52 State EV Infrastructure Deployment Plans.	<p>Based on review of State Deployment Plans, future targets will be identified to reduce the number of corridors that are not fully built out.</p> <p>Increase the number of public EV charging ports to 160,000 in 2023. Current value as of June 30, 2023 is 146,845.</p>	<p>Continue to assess how best to build out the national network, based on state plans and review of data.</p> <p>Initial national EV Infrastructure formula programs charging station deployments.</p> <p>The first round of funding will focus on improving the reliability of the current network by repairing or replacing existing EV charging infrastructure.</p> <p>Accelerating the installation of EV charging stations by adopting a DOE EV Charging Station Categorical Exclusion (CE) under the National Environmental Policy Act (NEPA).</p>

* Reporting as FY only for the first year.

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 Continuing Appropriations Act, 2024 and Other Extension Act, P.L. 118-15, further extended the AATF authorizations through December 31, 2023.

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 below paragraph, provides funding for surface transportation through September 30th, 2026.

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.

Since IIJA was signed into law, DOT has announced \$203 billion in related grants, obligated \$149.3 billion, and outlaid \$59.8 billion in BIL funding. DOT expects to see continued increases in grants announced, obligations incurred, and outlays made in the coming fiscal year as DOT continues to implement the requirements of the BIL.

The Department continued to execute on Coronavirus Disease 2019 (COVID-19) funding received in FYs 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 (CRRSAA) 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 or FY 2023. The COVID section below details the financial impact of COVID funding on DOT's FY 2023 financial records and reports.

Financial Highlights (CONT.)

Overview of Financial Position

ASSETS

The Department's Consolidated Balance Sheets report total assets of \$318.7 billion at the end of FY 2023, compared with \$301.1 billion at the end of FY 2022. The Fund Balance with Treasury (FBwT) line item increased by \$17 billion, this was primarily the result of additional funds received through IIJA in FY 2023. Investments decreased by \$5.9 billion due to decreases in the Highway and Mass Transit Accounts in the HTF of \$9.7 billion and \$2.1 billion, respectively, resulting from disbursements for the HTF exceeding the overall excise tax collections. The decrease in HTF excise tax collections is primarily due to decreases in gasoline and diesel fuel taxes collected from prior year levels. These decreases were offset by a \$5.9 billion increase due to overall excise tax collections exceeding disbursements for the AATF. The increase in AATF excise tax collections was caused by increases in air travel following significant reductions during the COVID-19 pandemic. Net Loans Receivable increased by \$5.1 billion due to increased Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Improvement Financing (RRIF) loan activity in prior fiscal years that resulted from prevailing low interest rates in FY 2021 and 2022. In FY 2023, borrowers increased draw downs on those loans, to include several complete draw downs in a single transaction, which caused the noted increase to the Loans Receivable line.

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

ASSETS BY TYPE (DOLLARS IN THOUSANDS)				
Line Item	2023	%	2022	%
Fund Balance with Treasury	144,884,983	45.5	127,914,274	42.5
Investments	134,878,954	42.3	140,810,090	46.7
Loans Receivable, Net	21,336,520	6.7	16,265,614	5.4
Property, Plant, and Equipment	14,009,229	4.4	12,873,847	4.3
Inventory and Related Property, Net	1,076,627	0.3	1,073,843	0.4
Accounts Receivable	227,299	0.1	225,936	0.1
Advances and Prepayments	2,243,811	0.7	1,952,182	0.6
Total Assets	318,657,423	100	301,115,786	100

LIABILITIES

The Department's Consolidated Balance Sheets report total liabilities of \$41.7 billion at the end of FY 2023, as summarized in the table below. This number represents a \$3.5 billion increase from the previous year's total liabilities of \$38.2 billion. The Debt line increased by \$6.1 billion. Debt to Treasury increased as a result of the increase in TIFIA and RRIF loan disbursements being made to borrowers during FY 2023. The \$2.6 billion decrease in the Accrued Grants Liability line was primarily due to increases in reimbursements to grantees for the FAA COVID-19 related grants.

LIABILITIES BY TYPE (DOLLARS IN THOUSANDS)				
Line Item	2023	%	2022	%
Debt	22,553,726	54.0	16,415,203	43.0
Accrued Grant Liabilities	12,826,749	30.7	15,398,805	40.3
Other Liabilities	1,646,699	3.9	1,803,001	4.7
Environmental and Disposal Liabilities	942,229	2.3	876,220	2.3
Federal Employee Benefits Payable	1,406,748	3.4	1,410,184	3.7
Accounts Payable	668,664	1.6	845,513	2.2
Advances From Others and Deferred Revenue	1,471,910	3.5	1,182,707	3.1
Loan Guarantees	217,255	0.5	281,225	0.7
Total Liabilities	41,733,980	100	38,212,858	100

Financial Highlights (CONT.)

Results of Operations

NET COSTS

The Department's Net Cost of Operations was \$108.1 billion for FY 2023, as summarized in the following table. This was a 7% decrease from the prior year and was primarily caused by a \$4.9 billion decrease in Surface Transportation program costs. This included a \$9.8 billion decrease in FTA COVID-19 Transit Infrastructure Grant (TIG) expenses in FY 2023 due to COVID-19 Grants being fully expensed in prior fiscal years. This is offset by increases of \$3.6 billion at FedAid for IJGA grants awarded to States, and a \$919 million increase within OST due to loan re-estimate and interest expense increases. Surface and air costs represent 99 percent of the Department's total net cost of operations. Surface transportation program costs represent the largest investment for the Department, at 79.3 percent of the net cost of operations. Air transportation is the next largest investment, at 19.7 percent of total net cost of operations.

NET COSTS (DOLLARS IN THOUSANDS)				
Line Item	2023	%	2022	%
Surface Transportation	85,735,592	79.3	90,665,932	78.0
Air Transportation	21,243,937	19.7	23,134,895	19.9
Maritime Transportation	269,960	0.2	1,068,572	0.9
Cross-Cutting Programs	518,950	0.5	459,509	0.4
Costs Not Assigned to Programs	293,159	0.3	907,672	0.8
Net Cost of Operations	108,061,598	100	116,236,580	100

NET COSTS (DOLLARS IN THOUSANDS)			
Line Item	2023	2022	% Change
Net Cost of Operations	108,061,598	116,236,580	7.0

NET POSITION

The Department's Consolidated Balance Sheets and Consolidated Statement of Changes in Net Position report a Net Position of \$276.9 billion at the end of FY 2023, a 5.3 percent increase from the \$262.9 billion in the previous fiscal year. The increase of \$14 billion is mainly attributable to DOT receiving appropriations of \$53.7 billion along with total NonExchange Revenue of \$70.6 billion in 2023 which was offset by total Net Cost of \$108.1 billion and \$2.8 billion in appropriation rescissions in FY 2023. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

NET POSITIONS (DOLLARS IN THOUSANDS)			
Line Item	2023	2022	% Change
Total Net Position	276,923,443	262,902,928	5.3

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 2023, the Department had total budgetary resources of \$270.2 billion, which represents a 41.5 percent decrease from FY 2022 levels of \$382.2 billion. Budget Authority of \$270.2 billion consisted of \$111.5 billion in unobligated authority carried over from previous years, \$65.2 billion in appropriations, \$80.1 billion in borrowing and contract authority, and \$13.4 billion in spending authority from offsetting collections. The Department's FY 2023 obligations incurred totaled \$141.1 billion compared with FY 2022 obligations incurred of \$274.9 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2023, the Department had net outlays of \$109.5 billion compared with FY 2022 levels of \$113.7 billion, a 3.7 percent decrease.

Financial Highlights (CONT.)

RESOURCES (DOLLARS IN THOUSANDS)			
Line Item	2023	2022	% Change
Total Budgetary Resources	270,164,267	382,199,088	-29.3
New Obligations and Upward Adjustments	141,107,617	274,935,585	-48.7
Agency Outlays, Net	109,482,541	113,696,391	-3.7

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 or FY 2023.

In FY 2023, the Department obligated \$6.5 billion of its COVID-19 appropriations received in prior fiscal years, while \$271 million of COVID-19 Budgetary Resources remain available for use in FY 2024. Other COVID-19 related significant financial impacts include: \$18.9 billion decrease to FBWT, \$3.4 billion decrease to Grant Accrual, \$19.2 billion decrease to net costs, and a \$15.5 billion decrease to net position. These financial impacts were due to there being no new COVID-19 funding received in FY 2023, 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 (PPE) 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 PPE. 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 2023 FMFIA Assurance Letter to the President



THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

November 9, 2023

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) 2023.

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 the FMFIA. All DOT organizations are subject to Sections 2 and 4 of the FMFIA except the Great Lakes St. Lawrence Seaway Development Corporation, which reports separately under the Government Corporations Control Act of 1945.

DOT conducted its assessments of risk and internal control in accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of these assessments, DOT can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2023.

Based on the results of the FY 2023 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,

A handwritten signature in blue ink, appearing to read "Pete Buttigieg", is written over a circular blue stamp that partially overlaps the signature.

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 2023, ending September 30, 2023, 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, 2023.

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

FMFIA ANNUAL ASSURANCE PROCESS

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

The head of each 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 is 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 2023. DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2023 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 2023 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 2023, DOT documented and assessed internal controls over several business processes. Appendix A activities in FY 2023 included conducting an entity, process, and transaction level assessment of the controls over reporting.
- In addition, an assessment was also performed on the Department-wide financial management system, Delphi, including obtaining an annual Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) Type II Report from the Enterprise Services Center (ESC) to determine if financial systems complied with Federal Financial Management system requirements.
- DOT management developed a Data Quality Plan to achieve the objectives of the Digital Accountability and Transparency Act (DATA Act). The Data Quality Plan considers the incremental risks to data quality in Federal spending data and the controls that would manage the risks. Through this process, DOT identified data elements at high-risk of inaccurate reporting. DOT also identified the controls in place to confirm the accuracy of the high-risk data elements related to procurements as part of

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

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 Payment Integrity Information Act of 2019 (PIIA; P.L. 116-117) and OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*. In FY 2023, 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, *Management of Financial Management Systems – Risk and Compliance*, during FY 2023 (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 2023, 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, *Management of Financial Systems – Risk and Compliance* 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 2023.

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 2023, in accordance with revised guidance issued by OMB¹, the annual FISMA report was finalized and submitted on July 30, 2023. 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 27, 2023 and is available at www.oig.dot.gov.

In FY 2023, OST, the OAs, and OIG operated a total of 451 information systems showing no changes from the FY 2022 adjusted inventory. Of this total, 326 information systems are attributable to FAA, and 14 systems were identified as departmental high-value assets (HVA).

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.)

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 2023, 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 2023 included:

- Reached 98% Endpoint Detection and Response deployment across DOT in support of Executive Order (E.O.) 14028;
- Deployed continuous penetration testing capability across the Department covering all of the agency's external facing systems;
- Expanded the Office of the Associate CIO for Cybersecurity and Information Protection from 17 personnel to 41;
- Recruited and appointed the Department's Director of HVA program;
- Recruited and appointed a Departmental Enterprise Software License Manager;
- 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;

- Prioritized 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;
- Accelerated the implementation and integration of enterprise logging capabilities in support of E.O. 14028 and achieving greater than 80% compliance by August 27, 2023, in support of the requirements of OMB M-21-31²;
- Expanded the 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%; and
- 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.

For FY 2024, subject to the availability of resources, the Department plans to:

- Achieve the next level of maturity – EL3 - for the agency enterprise logging capability by June 30, 2024;
- Publish updates to the Departmental Cybersecurity Policy and Compendium, including support for NIST SP 800-53 revision 5 enhancements, by January 31, 2024;
- Develop and communicate an organization-wide Supply Chain Risk Management strategy and implementation plan to guide and govern supply chain risks by January 30, 2024;
- Accelerate agency implementation of Federal Zero Trust Architecture (ZTA) requirements³, especially MFA, and encryption; and
- Implement required elements of OMB policy⁴ and direction on Secure Software Development Practices by the dates provided by OMB.

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 reliable financial management services to its OAs, ensuring their efficiency while upholding system security and integrating new technologies for improved financial transaction processing, data reporting, and accessibility. These functions are executed through our operational partner, the ESC, which not only provides shared financial management services, but also a range of other essential functions. ESC offers business operational support and financial management systems services to DOT as well as several non-DOT entities. This collaborative approach aims to enhance compliance with Federal laws, regulations, and government-wide standards, all while achieving financial efficiency through shared support of the financial management system.

The combined efforts of DOT and ESC are concentrated on the key areas of people, processes, technology, and security. This ongoing focus is aimed at continuous enhancement of system cybersecurity, compliance, and reporting capabilities. The ultimate objective is to provide improved access to DOT data while maintaining the system's security. These rigorous measures guarantee the proper allocation and monitoring of taxpayer dollars.

Continuing on this path, the Department is actively pursuing initiatives to automate processes, reinforce internal controls, and enhance data access and transparency. These endeavors are designed to ensure accurate fund accounting and reporting. Through these actions, we underscore our unwavering commitment and responsibility in executing DOT's fiscal duties.

GOVERNMENT INVOICING (G-INVOICING)

DOT is implementing the G-Invoicing solution developed by the Department of Treasury. This solution aims to automate the process of Federal Buy/Sell Intragovernmental Transactions (IGT). G-Invoicing introduces an online portal that serves as a unified platform for facilitating all IGT Buy/Sell transactions. The primary goal of the G-Invoicing initiative is to establish a consistent mechanism for enhancing communication between Federal agencies engaged in such transactions and to standardize accounting practices. To achieve this, DOT's Project Management Office (PMO) has adopted a phased approach. This approach is geared towards

meeting the requirements of the G-Invoicing mandate. The PMO has successfully executed the initial phases and is now gearing up to conclude the second phase of the project, which involves conducting new orders through the system solution. The final phase (Migration Phase) of this endeavor will involve migrating all ongoing IGT Buy/Sell transactions into the G-Invoicing solution, which is expected to be completed by October 2025.

BIPARTISAN INFRASTRUCTURE LAW (BIL) SUPPORT

Since the passage of the BIL, DOT has been dedicated to ensuring that both financial management and grant systems are suitably equipped to facilitate the awarding and disbursement processes for recipients of BIL grants. Throughout FY 2023, substantial numbers of grants were awarded, and corresponding payments were efficiently processed.

As part of an ongoing commitment to enhance system robustness and internal controls, DOT is actively engaged in assessing both current and planned grants systems. This assessment aims to streamline and optimize these systems, ultimately rendering them more efficient for grant recipients to fulfill the administrative obligations necessary to access BIL funds. This initiative focuses on refining processes and minimizing complexities, aiming to simplify the administrative tasks required for securing BIL funding.

DATA ANALYTICS

In FY 2023, DOT continued to invest in expanding its use of data analytics to support improved financial management reporting and decision-making. Through collaborative working groups of financial, information technology, and program stakeholders, DOT has begun defining new techniques and data standards to improve the consistency and accessibility of information throughout the grant lifecycle, with a particular focus on BIL-funded programs. DOT has also begun leveraging data analytics to automate and enhance financial validation and reconciliation activities. These initiatives are ongoing and will continue to be developed over time in support of DOT's financial management and reporting needs.

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 (SEC). 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 (MMAC) 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 Assessment¹. 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, tornadoes, 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 the 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.

¹ DOT will update its building vulnerability evaluations following the release of the latest National Climate Assessment.

FINANCIAL REPORT

Message from the Assistant Secretary for Budget and Programs and CFO

NOVEMBER 15, 2023



I take great pride in presenting the fiscal year (FY) 2023 Department of Transportation (DOT or Department) Financial Statements. Again, this year, the Department's financial management experts collaboratively met our financial goals, contributing to the successful accomplishment of our mission. The Department obtained an unmodified audit opinion, with no material weaknesses, on its financial statements in FY 2023, representing our 17th consecutive unmodified opinion and continuing a legacy of success in financial reporting. DOT has always taken great pride in being trustworthy stewards of public funds and this year's audit results demonstrate that. DOT's strong commitment to accurate and effective accounting and reporting of resources also assist in the proper and efficient execution of the Department's mission.

DOT has deployed a historic level of resources to build a safer, better, stronger transportation system while maintaining public trust in DOT's stewardship of the funds it provides. Our strong internal control foundation allows us to effectively implement the funding provided 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 2023, as DOT continued execution of IIJA/BIL in support of the President's vision, we ensured our financial management systems were managing increased demands on award and payment processes, while also improving our financial reporting and public transparency.

Infrastructure Investment and Jobs Act (IIJA)/Bipartisan Infrastructure Law (BIL) implementation. BIL is providing the largest investment in rebuilding our road and bridge systems since the Eisenhower Administration, the largest investment in passenger rail since the creation of Amtrak, and the largest investment in public transit in American history. It advances environmental justice and invests in communities that have too often been left behind. From delays at ports, to freight congestion and shortages in aviation, American transportation has rarely confronted so many intersecting challenges at once. From the moment 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 BIL grantees, resulting in successful initial awards and disbursements. During FY 2023, DOT continued to make significant improvements to internal business and reporting processes to increase the accuracy, reliability, and transparency of spending data. These improvements included the creation of a metric to identify reporting delays affecting the quality of spending data. These efforts have resulted in successfully awarding and obligating \$149.3 billion related to BIL funding, as well as making \$59.8 billion in BIL-related disbursements.

Improved Reporting and Transparency. Implementing BIL has opened new opportunities for enhancing DOT's effective stewardship of taxpayer resources. Tracking the projects that will deliver BIL's outcomes is paramount to ensuring efficient and effective implementation of the law. DOT has successfully established a first-of-its-kind robust and transparent reporting framework for BIL-funded projects. This reporting framework includes post-award information on the status of award-specific goals and objectives and project-level details. By using a strong collaborative approach across DOT, we developed brand-new processes to collect and interpret programmatic data, developed an internal dashboard to share insights on BIL execution, developed innovative new ways to leverage data for multiple internal processes, and met the Office of Management and Budget's (OMB's) reporting deadlines in Memorandum M-22-12, "Advancing Effective Stewardship of Taxpayer Resources and Outcomes in the Implementation of the Infrastructure Investment and Jobs Act." DOT's post-award dataset and dashboard are now able to provide a standard display for reporting; present projects by location at the state, county, and facility levels; allow exploration of data at the program and project level of detail; and provide overviews of obligation amounts as well as project phases (i.e., planning, in process, completed).

Maintaining Effective Internal Controls. Effective internal controls help ensure that federal programs fulfill their intended purposes, funds are spent effectively, and assets are safeguarded. DOT has a variety of rigorous internal controls to ensure that federal funds reach the correct recipients; prevent improper payments (IP); and reduce the risks of fraud, waste, and abuse. To advance responsible and transparent stewardship of public resources at both the

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

federal and grant recipient levels, the Department established a performance goal in the FY 2022-2026 Strategic Plan to achieve an annual payment accuracy rate of 99%. For FY 2023, DOT is proud to exceed our goal by reporting a payment accuracy rate of 99.3%, which represents a 30% reduction in improper payments compared to FY 2022.

Additionally, we began preparing for the changes in the Statement of Federal Financial Accounting Standards (SFFAS) 54, which significantly changed the definition, accounting, reporting, and disclosure requirements for leases. These accounting changes required us to plan for collecting new lease data; implement new technology for lease calculations; and develop new accounting policies, reporting processes, and internal controls.


Financial Management Systems Enhancements. We have consistently provided effective financial management services while reinforcing our security measures to align with cybersecurity regulations and directives governing critical systems. These enhancements encompass the enforcement of multi-factor authentication for financial systems, along with the standardization and consistent application of data encryption, to safeguard sensitive information.

In addition to maintaining a strong focus on security, we have further enhanced financial system processes and data accessibility. Notably, we introduced government-wide functionality for the seamless sharing of intragovernmental agreements, significantly enhancing the transparency and oversight of taxpayer funds within the government. As part of this effort, called Government Invoicing (G-Invoicing), we deployed new system functionality to broker buy/sell transactions between federal trading partners. We also began preparing for the final phase of this effort, which requires the migration of pre-existing intragovernmental transactions into the G-Invoicing environment.

Ensuring Program Effectiveness. In alignment with the Department's commitment to program effectiveness, we have also invested in building our enterprise risk management capabilities to strengthen the performance and evaluation functions. Through this integration, we have made significant progress in expanding the Department's tracking and reporting of performance metrics, as well as building a robust portfolio of meaningful program evaluations to provide actionable evidence and support continuous program improvements.

These achievements demonstrate that our people, processes, and systems consistently maintain world-class excellence in the realm of federal financial management policy and execution. They also underscore the enduring fidelity and strengths of our framework, which consistently deliver reliable and accurate information and results over the long term.

Sincerely,



Victoria B. Wassmer

Office of Inspector General Quality Control Review




U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 15, 2023

Subject: ACTION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2023 and 2022 | Report No. QC2024007

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 2023 and 2022.

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, 2023, and September 30, 2022, 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 (GAO) 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 "Dory" 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-22-105894), May 2023; Volume 2 (GAO-22-105895), May 2023; Volume 3 (GAO-21-105127), June 2023.

Federal Aviation Administration Audit Liaison, AAE-100
Federal Transit Administration Audit Liaison, TBP-30
Federal Highway Administration Audit Liaison, HCF-B23

QC2024007

2

Independent Auditors' Report

In its report on DOT's consolidated financial statements for fiscal years 2023 and 2022, KPMG states that:

- DOT's consolidated financial statements² (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- it found three significant deficiencies³ in internal control over financial reporting that it did not consider to be a material weakness;⁴ and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

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

Significant Deficiencies

Weaknesses in controls over grant accruals. KPMG found control deficiencies in Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) grant accrual methodologies and assumptions. Specifically, KPMG determined that (1) FTA management did not identify the risk that the assumption for billing cycle days used in the grant accrual methodology would not be valid for the COVID-19 funding, and (2) FHWA management did not identify the need for changes in assumption or method in response to the increases in grant expenses in 2023 related to the Infrastructure Investment and Jobs Act (IIJA).

Weaknesses in accounting policies for FHWA construction projects. KPMG found that controls were not designed and implemented to ensure that

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

³A 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.

⁴A 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.

appropriate accounting policies and procedures were in place over the Office of Federal Lands (FLH) construction of non-heritage fixed assets. Specifically, KPMG determined that FHWA accounting policies and procedures resulted in the recognition of expenses for non-heritage highway and bridge construction projects on Federal lands, instead of the necessary capitalization as construction-in-progress and subsequent transfer-out of the completed asset to the Federal land management agency (FLMA). This results in an overstatement of FHWA expenses and an understatement of FLH construction-in-progress.

Weaknesses in general information technology controls. KPMG identified general information technology control deficiencies at the application, operating system, and database levels related to system access controls for user access management, procurement, financial management, and grant award, and management systems. Specifically,

- controls were not designed effectively over system access, including provisioning of new or modified user access, and recertification of existing user access; or
- controls were not operating effectively over system access including provisioning of new or modified user access, provisioning of privileged user roles, recertification of existing user access including privileged user roles, and termination of access.

Recommendations

KPMG made the following recommendations to help strengthen DOT's control over grant accrual, accounting policies for construction of non-heritage assets, and general information technology controls. KPMG recommended that:

1. FTA management evaluate the COVID-19 grant programs and develop an estimation methodology responsive to the nature of the program and expected drawdown patterns;
2. FHWA management consider the increased IIJA funding and subsequent increase in expenses and develop an estimation methodology responsive to fluctuations in future expenses;
3. FHWA management review and update accounting policies and operating procedures to capitalize costs for the construction and procurement of non-heritage fixed assets on behalf of FLMA partners;
4. FHWA management establish and maintain communications channels with FLMA partners and establish protocols for communicating asset-level detail for projects required by each agency's property accountants;

5. FHWA management perform an assessment of costs expensed for completed fixed asset construction projects to determine materiality and record correcting accounting entries as needed;
6. DOT management perform procedures to consistently approve and document new or modified user account and recertification requests and timely remove separated users as required by internal policy and standards for effective internal control systems;
7. DOT management update policies and procedures to assign backup responsibilities for control operators;
8. DOT management provide training to system administrators on documented procedures; and
9. DOT management conduct monitoring to assess whether control operators are performing control activities in accordance with policy.

Quality Control Review

We performed a QCR of KPMG's report, dated November 13, 2023, and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on DOT's financial statements or conclusions about the effectiveness of internal control over financial reporting, or compliance with laws and other matters. KPMG is responsible for its report and the conclusions expressed therein.

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

Agency Comments and OIG Response

KPMG provided DOT with its draft report on November 9, 2023, and received DOT's response, dated November 14, 2023 (see attachment 2). DOT agreed with the deficiencies KPMG found. DOT also concurred with KPMG's nine recommendations and committed to developing a corrective action plan to address the deficiencies by December 31, 2023. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

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

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, 2023 and 2022, and the related consolidated statements of net costs 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, 2023 and 2022, 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. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 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.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



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. 24-01 will always detect a material misstatement when it exists. The risk of 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. 24-01, 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, Message from the Assistant Secretary for Budget and Programs and CFO and Other Information 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.

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, 2023, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in Exhibit I as item 2023-01, 2023-02, and 2023-03, that we consider to be significant deficiencies.

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, 2023 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. 24-01.

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.



Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described and presented in the section, Management's Response to the Independent Auditors' Report. The Department's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

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 13, 2023

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

**EXHIBIT I
SIGNIFICANT DEFICIENCIES**

2023 – 01: Weaknesses in Controls over Grant Accruals

Background

The Federal Transit Administration (FTA) and Federal Highways Administration (FHWA) maintain various grant programs that provide funding to state governments, local governments, and private partners for transportation related projects.

During the COVID-19 pandemic, FTA received additional funding, including \$30 billion from the American Rescue Plan Act (ARPA) and \$14 billion from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA). This funding is to be available for the operating expenses of transit agencies to prevent, prepare for, and respond to the ongoing threat of COVID-19.

In 2022, the FHWA Federal-Aid program received \$52.5 billion in additional funding over five years through the Infrastructure Investment and Jobs Act (IIJA) to support transportation infrastructure projects. FHWA will receive additional annual funding through IIJA through 2026.

Criteria

The Green Book standards for internal control require entities to identify and analyze risks throughout the entity. The Green Book states, "Management identifies risks throughout the entity to provide a basis for analyzing risks. Risk assessment is the identification and analysis of risks related to achieving the defined objectives to form a basis for designing risk responses. To identify risks, management considers the types of risks that impact the entity. This includes both inherent and residual risk. Inherent risk is the risk to an entity in the absence of management's response to the risk. Residual risk is the risk that remains after management's response to inherent risk. Management's lack of response to either risk could cause deficiencies in the internal control system."

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

"4. Footnote 2. Agencies must recognize and report balances due to or advanced to grantees at the end of the reporting period. Adjustments are needed to provide for eligible expenses that grantees have incurred as of the reporting date but have not yet reported to the agencies."

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

"22. Management should ensure that adequate internal control procedures are in place. Procedures in place should ensure that grant accrual estimates are based on historical transactions in previous years to the extent that relevant and reliable historical data exists."

Conditions

FTA management did not identify the risk that the assumption for billing cycle days used in the grant accrual methodology would not be valid for the COVID-19 funding. The risk to this key assumption of the estimate methodology was identified through a variance in the grant accrual lookback for COVID-19 funding.

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

**EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES**

FHWA management did not identify the need for changes in assumption or method in response to the increases in grant expenses in 2023 related to IIJA, and a significant variance in management's FY2023 Q3 Grant Accrual lookback analysis.

Cause

When developing the grant accrual methodology and assumptions FHWA and FTA management did not consider all relevant factors and disconfirming evidence related to the underlying assumptions. The FTA incorrectly assumed that grantees will drawdown COVID-19 award funds in a regular pattern, the same as the Title 49 construction projects. The FHWA incorrectly assumed that historical disbursement data would be a consistently accurate indicator of future expenses regardless of major increases in funding levels year over year.

Effect

Improper assumptions in the grant accrual methodologies and lack of adjustments for current circumstances could result in misstatements in the grant accrual recorded in the consolidated financial statements that are not detected and corrected.

Recommendations

We recommend that:

- FTA management evaluate the COVID-19 grant programs and develop an estimation methodology responsive to the nature of the program and expected drawdown patterns.
- FHWA management consider the increased IIJA funding and subsequent increase in expenses and develop an estimation methodology responsive to fluctuations in future expenses.

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

**EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES**

2023 – 02: Weaknesses in Accounting Policies for Federal Highway Administration Construction

Background

The Federal Highway Administration (FHWA), Office of Federal Lands (FLH) mission is to administer a coordinated program of Federal public roads and bridges. FLH has programs that provide financial resources and engineering assistance for public roads across the country. FLH works with Federal land management agency (FLMA) partners to design and construct highway and bridge projects on Federal, state, municipal, and tribal-owned lands. FLH has the rights to the assets while constructing and administering the projects. At the completion of a FLH project, a Final Construction Report is completed, which includes acceptance from the FLMA of the completed project and acknowledgment as the maintaining agency – demonstrating that the ownership rights of the completed assets are transferred to the FLMA partner.

Through FY2023, FLH has spent \$18.6 billion on fixed assets across 12,001 projects. Of these costs, \$3.4 billion has been spent on non-heritage assets on Federal land across 1,315 projects.

Criteria

The Green Book standards for internal control require management to identify and analyze risks throughout the entity, establish expectations of competence for key roles, design control activities in response to the entity's objectives and risks, and use quality information to achieve the entity's objectives. Specifically, "Management designs a process that uses the entity's objectives and related risks to identify the information requirements needed to achieve the objectives and address the risks. Information requirements consider the expectations of both internal and external users... Management identifies information requirements in an iterative and ongoing process that occurs throughout an effective internal control system... Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements... Management obtains data on a timely basis so that they can be used for effective monitoring." Further the Green Book requires management to communicate externally necessary quality information to achieve the entity's objectives. Specifically, "Management communicates with, and obtains quality information from, external parties using established reporting lines. Open two-way external reporting lines allow for this communication. External parties include suppliers, contractors, service organizations, regulators, external auditors, government entities, and the general public. Management communicates quality information externally through reporting lines so that external parties can help the entity achieve its objectives and address related risks. Management includes in these communications information relating to the entity's events and activities that impact the internal control system."

Federal Accounting Standards Advisory Board *Statement of Federal Financial Accounting Standards (SFFAS) 6: Accounting for Property, Plant, and Equipment*, states:

"17. Property, plant, and equipment consists of tangible assets, including land, that meet the following criteria: they have estimated useful lives of 2 years or more; they are not intended for sale in the ordinary course of operations; and they have been acquired or constructed with the intention of being used, or being available for use by the entity."

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

**EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES**

"31. The cost of general PP&E transferred from other Federal entities shall be the cost recorded by the transferring entity for the PP&E net of accumulated depreciation or amortization. If the receiving entity cannot reasonably ascertain those amounts, the cost of the PP&E shall be its fair value at the time transferred."

"34. PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity.⁴⁰ In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E."

Condition

Controls were not designed and implemented to ensure that appropriate accounting policies and procedures were in place over the FLH construction of non-heritage fixed assets (i.e., highway and bridge projects) on behalf of FLMA partners. Specifically:

The FHWA accounting policies and procedures resulted in the recognition of expenses for the construction of non-heritage highway and bridge projects on Federal lands, instead of the necessary capitalization as construction-in-progress and subsequent transfer-out of the completed asset (PP&E) to the FLMA. This results in an overstatement of FHWA expenses and an understatement of FLH Construction in Progress. Further, the lack of capitalized dollars in construction-in-progress prevents FLH from transferring the costs of the fixed asset to the FLMA partner for capitalization when the asset is placed in service and ownership is transferred to the FLMA.

Cause

The accounting policy was based on an incorrect interpretation of the criteria for recognition and capitalization of PP&E and improvements to PP&E. The accounting policy was based on the determination that the highway and bridge projects did not meet the SFFAS 6 criteria for capitalization as the resulting fixed assets were not constructed with the intention to be used or available for use by FLH, FHWA, or the Department.

Effect

FLH may inaccurately expense capital costs, which could result in misstatements in its operating expense, PP&E, and Financing Sources Transferred Out without Reimbursement accounts. As of September 30, 2023, to correct the impacts of the improper policy, FHWA has recorded \$134 million to construction in progress related to active ongoing projects for a specific FLMA and recorded an asset transfer to the same FLMA of \$40.6 million related to projects completed during FY2023. Further misstatements related to construction in progress of \$592 million for other ongoing projects and Financing Sources Transferred Out without Reimbursement of \$1 billion related to completed projects may continue to exist.

Recommendations

We recommend that FHWA management:

- Review and update accounting policies and operating procedures to capitalize costs for the construction and procurement of non-heritage fixed assets on behalf of FLMA partners.

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

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

- Establish and maintain communications channels with FLMA partners and establish protocols for communicating asset-level detail for projects required by each agency's property accountants.
- Perform an assessment of costs expensed for completed fixed asset construction projects to determine materiality and record correcting accounting entries as needed.

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

**EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES**

2023 – 03: Weaknesses in General Information Technology Controls

Background

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

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

The Federal Transit Administration (FTA) utilizes various systems, including but not limited to, a system to award and manage grant funding.

The Federal Aviation Administration (FAA) utilizes a procurement system to record and track requisitions, purchase orders, and contracts and to compile amounts recorded in its consolidated financial statements.

Criteria

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

Condition

Access control deficiencies exist at the application, operating system, and database levels within the systems mentioned above as follows:

- Controls were not designed effectively over system access, including provisioning of new or modified user access, and recertification of existing user access.
- Controls were not operating effectively over system access, including provisioning of new or modified user access, provisioning of privileged user roles, recertification of existing user access including privileged user roles, and termination of access.

Cause

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

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

**EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES**

Effect

User accounts with inappropriate access may allow for unauthorized use, disclosure, or modification of system data, which could result in misstatements in the consolidated financial statements not being prevented, detected, or corrected.

Recommendations

We recommend that management:

- Perform procedures to consistently approve and document new or modified user account and recertification requests and timely remove separated users as required by internal policy and standards for effective internal control systems.
- Update policies and procedures to assign backup responsibilities for control operators.
- Provide training to system administrators on documented procedures.
- Conduct monitoring to assess whether control operators are performing control activities in accordance with policy.

Management's Response to the Independent Auditors' Report



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

Memorandum

Subject: Management Response to the Audit Report on
the Consolidated Financial Statements for Fiscal Year (FY) 2023

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

VICTORIA BAECHER WASSMER Digitally signed by VICTORIA BAECHER WASSMER
Date: 2023.11.14 11:47:42 -05'00'

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
Saesha Carlile, Deputy Assistant Secretary for Budget and Programs

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

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. We concur with the three significant deficiencies contained in the report on internal controls over financial reporting and the corresponding recommendations. Corrective actions are already underway and we will submit a detailed plan along with estimated completion dates of the actions to the Inspector General no later than December 31, 2023.

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 Financial Statements

INTRODUCTION

The principal financial statements have been prepared to report the financial position and results of DOT's operations, pursuant to the requirements of the Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act of 1994. While the statements have been prepared from DOT's books and records in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

The following financial statements are presented:

The **Consolidated Balance Sheets (BS)**, as of September 30, 2023 and 2022, present those resources owned or managed by DOT that are available to provide future economic benefits (assets); amounts owed by DOT that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOT comprising the difference (net position).

The **Consolidated Statements of Net Cost (SNC)**, present the net cost of DOT operations for the fiscal years ended September 30, 2023 and 2022. DOT's net cost of operations includes the gross costs incurred by DOT less any exchange revenue earned from DOT activities.

The **Consolidated Statements of Changes in Net Position (SCNP)** present the change in DOT's net position resulting from the net cost of DOT operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal years ended September 30, 2023 and 2022.

The **Combined Statements of Budgetary Resources (SBR)** present the budgetary resources available to DOT during fiscal years ended September 30, 2023 and 2022; and the status of these resources and the net outlay of budgetary resources for the fiscal years ended September 30, 2023 and 2022. The Notes to the Financial Statements provide important disclosures and details related to information reported on the statements.

The **Notes to the Financial Statements** provide information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

U.S. DEPARTMENT OF TRANSPORTATION CONSOLIDATED BALANCE SHEETS

As of September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 144,884,983	\$ 127,914,274
Investments, Net (Note 3)	134,878,954	140,810,090
Accounts Receivable, Net (Note 4)	89,139	109,402
Advances and Prepayments (Note 5)	13,347	7,184
Total Intragovernmental	279,866,423	268,840,950
Other than Intragovernmental		
Accounts Receivable, Net (Note 4)	138,160	116,534
Loans Receivable, Net (Note 6)	21,336,520	16,265,614
Inventory and Related Property, Net (Note 7)	1,076,627	1,073,843
Property, Plant and Equipment, Net (Note 8)	14,009,229	12,873,847
Advances and Prepayments (Note 5)	2,230,464	1,944,998
Total Other than Intragovernmental	38,791,000	32,274,836
Total Assets	<u>\$ 318,657,423</u>	<u>\$ 301,115,786</u>
Stewardship Property, Plant and Equipment (Note 9)		
LIABILITIES (NOTE 10)		
Intragovernmental		
Accounts Payable	\$ 3,979	\$ 26,525
Debt (Note 11)	22,553,726	16,415,203
Advances From Others and Deferred Revenue	1,208,499	925,463
Other Liabilities (Note 15)	682,435	854,237
Total Intragovernmental	24,448,639	18,221,428
Other than Intragovernmental		
Accounts Payable	664,685	818,988
Loan Guarantee Liability (Note 6)	217,255	281,225
Federal Employee Benefits Payable (Note 12)	1,406,748	1,410,184
Environmental and Disposal Liabilities (Note 13 and Note 17)	942,229	876,220
Advances From Others and Deferred Revenue	263,411	257,244
Other Liabilities		
Accrued Grant Liabilities (Note 14)	12,826,749	15,398,805
Other (Note 15)	964,264	948,764
Total Other than Intragovernmental	17,285,341	19,991,430
Total Liabilities	<u>\$ 41,733,980</u>	<u>\$ 38,212,858</u>
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations—Funds From Dedicated Collections (Consolidated) (Note 18)	\$ 1,165,492	\$ 1,258,322
Unexpended Appropriations—Funds from Other than Dedicated Collections (Consolidated)	130,716,114	109,619,829
Total Unexpended Appropriations (Consolidated)	131,881,606	110,878,151
Cumulative Results of Operations - Funds From Dedicated Collections (Consolidated) (Note 18)	134,434,955	142,127,489
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated)	10,606,882	9,897,288
Total Cumulative Results of Operations (Consolidated)	145,041,837	152,024,777
Total Net Position	276,923,443	262,902,928
Total Liabilities and Net Position	<u>\$ 318,657,423</u>	<u>\$ 301,115,786</u>

The accompanying notes are an integral part of these financial statements

**U.S. DEPARTMENT OF TRANSPORTATION
CONSOLIDATED STATEMENTS OF NET COST**
For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Program Costs		
SURFACE TRANSPORTATION		
Gross Costs	\$ 86,886,313	\$ 91,735,194
Less: Earned Revenue	1,150,721	1,069,262
Net Program Costs	85,735,592	90,665,932
AIR TRANSPORTATION		
Gross Costs	21,941,910	23,678,974
Less: Earned Revenue	697,973	544,079
Net Program Costs	21,243,937	23,134,895
MARITIME TRANSPORTATION		
Gross Costs	1,236,919	1,590,700
Less: Earned Revenue	966,959	522,128
Net Program Costs	269,960	1,068,572
CROSS-CUTTING PROGRAMS		
Gross Costs	666,167	585,900
Less: Earned Revenue	147,217	126,391
Net Program Costs	518,950	459,509
Costs Not Assigned to Programs	299,468	915,368
Less: Earned Revenues Not Attributed to Programs	6,309	7,696
Net Cost of Operations	<u>\$ 108,061,598</u>	<u>\$ 116,236,580</u>

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023			2022		
	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	\$ 1,258,322	\$ 109,619,829	\$ 110,878,151	\$ 719,382	\$ 95,377,129	\$ 96,096,511
Appropriations Received (Note 1W)	1,921,179	51,830,197	53,751,376	5,000,000	175,621,270	180,621,270
Appropriations Transferred-in/(out)	1,080	(21,495)	(20,415)	-	(495)	(495)
Other Adjustments	(25,023)	(2,775,768)	(2,800,791)	(25)	(289,777)	(289,802)
Appropriations Used	(1,990,066)	(27,936,649)	(29,926,715)	(4,461,035)	(161,088,298)	(165,549,333)
Net Change in Unexpended Appropriations	(92,830)	21,096,285	21,003,455	538,940	14,242,700	14,781,640
Total Unexpended Appropriations	1,165,492	130,716,114	131,881,606	1,258,322	109,619,829	110,878,151
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	\$ 142,127,489	\$ 9,897,288	\$ 152,024,777	\$ 32,310,357	\$ 11,108,326	\$ 43,418,683
Other Adjustments	-	(63)	(63)	-	(416)	(416)
Appropriations Used	1,990,066	27,936,649	29,926,715	4,461,035	161,088,298	165,549,333
Nonexchange Revenue (Note 19)	70,588,818	2,472	70,591,290	59,216,981	1,734	59,218,715
Donations/Forfeitures of Cash/Cash Equivalents	901	-	901	1,025	-	1,025
Transfers-in/(out) Without Reimbursement	(1,365,865)	1,400,569	34,704	117,010,185	(116,943,607)	66,578
Donations and Forfeitures of Property	-	13,012	13,012	-	24,868	24,868
Imputed Financing	792,961	73,194	866,155	450,895	45,106	496,001
Other	(174,461)	(179,595)	(354,056)	(433,149)	(80,281)	(513,430)
Net Cost of Operations	79,524,954	28,536,644	108,061,598	70,889,840	45,346,740	116,236,580
Net Change in Cumulative Results of Operations	(7,692,534)	709,594	(6,982,940)	109,817,132	(1,211,038)	108,606,094
Total Cumulative Results of Operations	134,434,955	10,606,882	145,041,837	142,127,489	9,897,288	152,024,777
Net Position	\$ 135,600,447	\$ 141,322,996	\$ 276,923,443	\$ 143,385,811	\$ 119,517,117	\$ 262,902,928

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023		2022	
	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	\$ 110,983,951	\$ 492,457	\$ 98,951,382	\$ 260,661
Appropriations (Note 1W)	65,206,595	-	190,836,653	7,338
Borrowing Authority	-	1,749,970	-	5,599,774
Contract Authority	78,311,258	-	76,698,407	-
Spending Authority From Offsetting Collections	13,183,651	236,385	9,150,388	694,485
Total Budgetary Resources	<u>\$ 267,685,455</u>	<u>\$ 2,478,812</u>	<u>\$ 375,636,830</u>	<u>\$ 6,562,258</u>
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	\$ 138,926,573	\$ 2,181,044	\$ 268,863,408	\$ 6,072,177
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	103,654,355	10,603	78,144,953	308,342
Unapportioned, Unexpired Accounts	24,646,893	287,165	28,332,416	181,739
Unexpired Unobligated Balance, End of Year	128,301,248	297,768	106,477,369	490,081
Expired Unobligated Balance, End of Year	457,634	-	296,053	-
Unobligated Balance, End of Year	128,758,882	297,768	106,773,422	490,081
Total Budgetary Resources	<u>\$ 267,685,455</u>	<u>\$ 2,478,812</u>	<u>\$ 375,636,830</u>	<u>\$ 6,562,258</u>
OUTLAYS, NET, AND DISBURSEMENTS, NET				
Outlays, Net	\$ 110,914,296		\$ 233,432,830	
Distributed Offsetting Receipts	(1,431,755)		(119,736,439)	
Agency Outlays, Net	<u>\$ 109,482,541</u>		<u>\$ 113,696,391</u>	
Disbursements, Net		<u>\$ 6,330,835</u>		<u>\$ 1,775,252</u>

The accompanying notes are an integral part of these financial statements

Notes to the Principal Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The 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 (OAs), each having its own management team and organizational structure. Collectively, they provide services and oversight to ensure the best possible transportation system serves the American public. The Department's consolidated financial statements present the financial data for various trust funds, revolving funds, appropriations and special funds of the following organizations (referred to as Operating Administrations):

- **Office of the Secretary (OST) [includes OST Working Capital Fund, Volpe National Transportation Center, and Office of the Assistant Secretary for Research and Technology]**
- **Federal Aviation Administration (FAA)**
- **Federal Highway Administration (FHWA)**
- **Federal Motor Carrier Safety Administration (FMCSA)**
- **Federal Railroad Administration (FRA)**
- **Federal Transit Administration (FTA)**
- **Maritime Administration (MARAD)**
- **National Highway Traffic Safety Administration (NHTSA)**
- **Office of Inspector General (OIG)**
- **Pipeline and Hazardous Materials Safety Administration (PHMSA)**

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

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 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 2023.

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. See Note 18 for additional discussion on funds from dedicated collections.

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 2023. 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 (OAs) to incur obligations in support of agency programs. For FY 2023 and FY 2022, 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 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

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

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

G. Receivables***Accounts Receivable***

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

Loans Receivable

Loans are accounted for as receivables after funds have been disbursed. Loans 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 (MMAC) 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 OAs 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 (PPE). Capitalization thresholds are established at the departmental level, however, capitalization at lesser amounts is permitted at the OA level. This could result in amounts being capitalized that would have been expensed using the departmental level threshold. 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

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

an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from transactions other than contracts. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources (i.e., custodial collections).

L. Grant Accrual

The Department records an obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their grant agreement, they request payment by the DOT, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. The DOT also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. Grant expenses, including associated administrative costs, are included within the respective programs within 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 the 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 Public Law (P.L.) 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired after December 31, 1983, DOT also contributes the employer's matching share for Social Security.

Employing agencies are required to recognize pensions and other postretirement benefits during the employees' active years of service. Reporting the assets and liabilities associated with such benefit plans is the responsibility of the administering agency, the U.S. Office of Personnel Management (OPM). Therefore, DOT does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

P. Federal Employees Health Benefit (FEHB) Program

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

Q. Federal Employees Group Life Insurance (FGLI) Program

Most Department employees are entitled to participate in the FGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and the Department pays one-third of the cost. OPM administers this program and is responsible for 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

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

Department has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost.

R. Federal Employees Compensation Act (FECA) Benefits

The Federal Employees Compensation Act (FECA) (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 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 cleanup and 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 cleanup and disposal liability at the time that an asset is placed in service. For assets placed in service through FY 1998, the increase or decrease in the estimated environmental cleanup liability is charged to expense. Assets placed in service in FY 1999 and after do not contain any known hazardous materials, and therefore do not have associated environmental liabilities.

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

T. Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the DOT are recognized as imputed cost in the Statement of Net Cost, and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee

benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

U. Use of Estimates

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

Significant estimates underlying the accompanying financial statements include the accruals of accounts and grants payable, and accrued legal, 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 (HUD), 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

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

of Defense (DoD), and the Appalachian Regional Commission. This activity is included in the financial statements of the parent agency and is not included in the DOT financial statements.

W. Revenues and Other Financing Sources**Funds from Dedicated Collections Excise Tax Revenues (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, 2023 financial statements reflect excise taxes certified by the IRS through June 30, 2023 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2023 to September 30, 2023, as specified by FASAB SFFAS Number 7, *Accounting for Revenue and Other Financing Sources*. Actual excise tax collection data for the quarter ended September 30, 2023 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 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 Continuing Appropriations Act, 2024 and Other Extensions Act, P.L. 118-15, further extended the AATF authorizations through December 31, 2023. The authority to collect, deposit and expend AATF funds ends on December 31, 2023 without a further reauthorization.

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 (R&D), 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 Inflation Reduction Act (IRA), P.L. 117-169, was signed into law on August 16, 2022. IRA provided roughly \$5.6 billion to advance transportation equity and environmental programs.

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, for Note 10 - Liabilities Not Covered by Budgetary Resources, the liability for non-entity assets were reclassified to

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

liabilities not requiring budgetary resources.

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.

AB. Subsequent Events

Effective October 1, 2023, the Department is operating under a continuing resolution (CR), P.L. 118-15, to continue Government operations. The CR will be in effect through November 17, 2023 unless superseded by enactment of specified appropriations legislation and includes a provision that allows the DOT to continue spending at FY 2023 rates.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance With Treasury as of September 30, 2023 and 2022 consists of the following:

DOLLARS IN THOUSANDS	2023	2022
STATUS OF FUND BALANCE WITH TREASURY		
Unobligated Balance		
Available	\$ 98,673,726	\$ 74,788,145
Unavailable	3,502,450	8,975,199
Obligated Balance Not Yet Disbursed	42,363,689	43,604,985
Non-Budgetary Fund Balance with Treasury	345,118	545,945
Total	<u>\$ 144,884,983</u>	<u>\$ 127,914,274</u>

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, 2023 and 2022, the unused funds in expired appropriations that were returned to Treasury at the end of the fiscal year were \$66.4 million and \$22.9 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 from the IJJA, also known as the BIL.

NOTE 3. INVESTMENTS

Investments as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	\$ 53,025	\$ (929)	\$ 52,096	\$ 51,016
Non-Marketable: Par Value	132,274,094	-	132,274,094	132,274,094
Non-Marketable: Market-Based	2,456,438	(31,378)	2,425,060	2,410,588
Subtotal	134,783,557	(32,307)	134,751,250	134,735,698
Accrued Interest Receivable	127,704	-	127,704	
Total Intragovernmental Securities and Investments	<u>\$ 134,911,261</u>	<u>\$ (32,307)</u>	<u>\$ 134,878,954</u>	<u>\$ 134,735,698</u>

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	<u>\$ 140,824,209</u>	<u>\$ (14,119)</u>	<u>\$ 140,810,090</u>	<u>\$ 140,738,503</u>

Investments include nonmarketable par value and market-based Treasury securities and marketable securities issued by the Treasury. The Secretary of the Treasury invests AATF and HTF funds on behalf of the DOT in nonmarketable par value Treasury securities. The DOT investments are considered investment authority and are available to offset the cost of operations to the extent authorized by the U.S. Congress. As of September 30, 2023 and 2022, \$132.3 billion and \$138.4 billion were invested respectively in U.S. Treasury Certificates of Indebtedness. Nonmarketable par value Treasury securities are special series debt securities that the U.S. Treasury issues to federal entities at face value (par value). The securities are redeemed at face value on demand; thus investing entities recover the full amounts invested plus interest.

Nonmarketable market-based Treasury securities are also issued by the Bureau of Fiscal Service to Federal accounts. They are debt securities that the Treasury issues to federal entities without statutorily fixed interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities. 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.

The DOT does not have any investments in non-federal securities.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	\$ 92,364	\$ (3,225)	\$ 89,139
Transfers Receivable	-	-	-
Total Intragovernmental	92,364	(3,225)	89,139
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	309,440	(173,346)	136,094
Accrued Interest	7,485	(5,419)	2,066
Total Other than Intragovernmental	316,925	(178,765)	138,160
Total Accounts Receivable	<u>\$ 409,289</u>	<u>\$ (181,990)</u>	<u>\$ 227,299</u>

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	<u>\$ 409,188</u>	<u>\$ (183,252)</u>	<u>\$ 225,936</u>

NOTE 5. ADVANCES AND PREPAYMENTS

Advances and Prepayments consist of the following as of September 30, 2023 and 2022:

DOLLARS IN THOUSANDS	2023	2022
INTRAGOVERNMENTAL		
Advances to Others and Prepayments	\$ 13,347	\$ 7,184
Total Intragovernmental Other Assets	<u>\$ 13,347</u>	<u>\$ 7,184</u>
OTHER THAN INTRAGOVERNMENTAL		
Advances to States for Right of Way	\$ 252	\$ 252
Advances to Others and Prepayments	2,230,212	1,944,746
Total Other than Intragovernmental	<u>\$ 2,230,464</u>	<u>\$ 1,944,998</u>

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 \$2.23 billion and \$1.94 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 funding in the IIJA appropriations during FY 2022, Amtrak received significantly more advances in FY 2023.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

FCRA 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 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 Pre-1992 loans. 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 Financing Program is used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of tract, bridges, yards, buildings, and shops; refinance outstanding debt incurred; and develop or establish new intermodal or railroad facilities.
2. The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program provides Federal credit assistance for major transportation investments of critical national importance such as highway, transit, passenger rail, certain freight facilities, and certain port projects with regional and national benefits. The TIFIA credit program is designed to fill market gaps and leverage substantial private coinvestment by providing supplemental and subordinate capital.
3. The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified shipowners 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 statute, 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*

	2023 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Sub- sidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	\$ 1,864,933	\$ 4,093	\$ -	\$ (81,524)	\$ 1,787,502
(2) TIFIA Loans	19,946,608	145,240	166,635	(1,203,435)	19,055,048
(3) Federal Ship Financing Fund (Title XI)	333,328	-	-	(4,069)	329,259
Total	<u>\$ 22,144,869</u>	<u>\$ 149,333</u>	<u>\$ 166,635</u>	<u>\$ (1,289,028)</u>	<u>\$ 21,171,809</u>

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

	2022 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Sub- sidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing 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	<u>\$ 15,913,782</u>	<u>\$ 115,900</u>	<u>\$ 166,635</u>	<u>\$ (95,629)</u>	<u>\$ 16,100,688</u>

Total Amount Of Direct Loans Disbursed (Post-1991)

	2023	2022
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Financing Program	\$ 810,748	\$ 382,000
(2) TIFIA Loans	5,628,921	2,559,074
(3) Federal Ship Financing Fund (Title XI)	-	51,458
Total	<u>\$ 6,439,669</u>	<u>\$ 2,992,532</u>

*Subsidy Expense For Direct Loans By Program And Component**Subsidy Expense for New Direct Loans Disbursed*

	2023 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	\$ -	\$ 23,341	\$ (23,341)	\$ (2,102)	\$ (2,102)
(2) TIFIA Loans	-	15,443	-	(52,146)	(36,703)
(3) Federal Ship Financing Fund (Title XI)	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ 38,784</u>	<u>\$ (23,341)</u>	<u>\$ (54,248)</u>	<u>\$ (38,805)</u>

	2022 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing 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	<u>\$ -</u>	<u>\$ 9,334</u>	<u>\$ (2,897)</u>	<u>\$ (28,024)</u>	<u>\$ (21,587)</u>

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

Modifications and Reestimates

	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) Railroad Rehabilitation Improvement Financing Program	\$ -	\$ -	\$ 41,621	\$ 41,621
(2) TIFIA Loans	-	(1,069,098)	2,270,554	1,201,456
(3) Federal Ship Financing Fund (Title XI)	-	(696)	(5,542)	(6,238)
Total	<u>\$ -</u>	<u>\$ (1,069,794)</u>	<u>\$ 2,306,633</u>	<u>\$ 1,236,839</u>

	2022 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) Railroad Rehabilitation Improvement Financing 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	<u>\$ 330,353</u>	<u>\$ (17,960)</u>	<u>\$ (137,123)</u>	<u>\$ (155,083)</u>

Total Direct Loan Subsidy Expense

	2023	2022
DIRECT LOAN PROGRAMS		
(1) Railroad Rehabilitation Improvement Financing Program	\$ 39,519	\$ 1,288
(2) TIFIA Loans	1,164,753	161,368
(3) Federal Ship Financing Fund (Title XI)	(6,238)	(8,973)
Total	<u>\$ 1,198,034</u>	<u>\$ 153,683</u>

Budget Subsidy Rates For Direct Loans For The Current Year Cohort

	2023 Interest Differential	Defaults	Fees And Other Collections	Other	Total
DIRECT LOAN PROGRAMS					
(1) Railroad Rehabilitation Improvement Financing Program	-2.36%	1.57%	0.00%	0.00%	-0.79%
(2) TIFIA Loans Risk Category 1	-1.62%	1.79%	0.00%	0.00%	0.17%
(3) Federal Ship Financing Fund (Title XI)	0.00%	10.03%	-6.30%	0.00%	3.73%

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

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)
Schedule For Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

DOLLARS IN THOUSANDS	2023	2022
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Subsidy Cost Allowance	\$ 95,629	\$ (212,826)
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	38,784	9,334
Fees and Other Collections	(23,341)	(2,897)
Other Subsidy Costs	(54,248)	(28,024)
Total of the Above Subsidy Expense Components	(38,805)	(21,587)
Adjustments		
Loan Modifications	-	330,353
Fees Received	25	2,907
Subsidy Allowance Amortization	(28,000)	151,863
Other	23,340	2
Ending Balance of the Subsidy Cost Allowance Before Reestimates	52,189	250,712
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(1,069,794)	(17,960)
Technical/Default Reestimate	2,306,633	(137,123)
Total of the Above Reestimate Components	1,236,839	(155,083)
Ending Balance of the Subsidy Cost Allowance	<u>\$ 1,289,028</u>	<u>\$ 95,629</u>

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 Financing 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 Federal Ship Financing Fund (Title XI) FFB Loan Guarantees was a result of reduced risk levels of the loan portfolio.

Guaranteed Loans
Defaulted Guaranteed Loans From Post-1991 Guarantees

	2023 Defaulted Guaranteed Loans Receiv- able, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy (Present Value)	Assets Related To Default Guaranteed Loans Receivable, Net
LOAN GUARANTEE PROGRAMS					
(3) Federal Ship Financing Fund (Title XI)	\$ 163,702	\$ -	\$ 1,009	\$ -	\$ 164,711
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	<u>\$ 164,426</u>	<u>\$ 72</u>	<u>\$ 1,009</u>	<u>\$ (796)</u>	<u>\$ 164,711</u>

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

	2022 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy (Present Value)	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	<u>\$ 164,641</u>	<u>\$ 72</u>	<u>\$ 1,009</u>	<u>\$ (796)</u>	<u>\$ 164,926</u>

Guaranteed Loans Outstanding

	2023 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	\$ 1,016,981	\$ 1,016,981
Total	<u>\$ 1,016,981</u>	<u>\$ 1,016,981</u>

Liability For Loan Guarantee (Present Value Method)

	2023 Liabilities for Post-1991 Guarantees, Present Value
LOAN GUARANTEE PROGRAMS	
(3) Federal Ship Financing Fund (Title XI)	\$ 217,255
Total	<u>\$ 217,255</u>

Subsidy Expense For Loan Guarantees By Program And Component
Modifications and Reestimates

	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(3) Federal Ship Financing Fund (Title XI)	\$ -	\$ (27,059)	\$ (36,918)	\$ (63,977)
Total	<u>\$ -</u>	<u>\$ (27,059)</u>	<u>\$ (36,918)</u>	<u>\$ (63,977)</u>

	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	<u>\$ -</u>	<u>\$ 26,695</u>	<u>\$ 109,048</u>	<u>\$ 135,743</u>

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

Total Loan Guarantee Subsidy Expense

	2023	2022
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	\$ (63,977)	\$ 135,743
Total	<u>\$ (63,977)</u>	<u>\$ 135,743</u>

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

DOLLARS IN THOUSANDS	2023	2022
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Loan Guarantee Liability	\$ 281,225	\$ 145,644
Less: Claim Payments To Lenders	-	-
Add: Fees Received	-	-
Less: Interest Supplements Paid	-	-
Add: Foreclosed Property and Loans Acquired	-	-
Less: Interest Revenue on Uninvested Funds	-	-
Add: Interest Expense on Entity Borrowings	-	-
Add: Subsidy Expense	-	-
Less: Negative Subsidy Payments	-	-
Add: Upward Reestimates	80,868	140,098
Less: Downward Reestimates	(144,845)	(4,355)
Other	7	(162)
Ending Balance of the Loan Guarantee Liability	<u>\$ 217,255</u>	<u>\$ 281,225</u>

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

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2023 is subject to future market and economic conditions. DOT continues to evaluate market risks in light of evolving economic conditions. The impact of such risks on DOT's portfolio reserves, if any, cannot be fully known at this time and could cause results to differ from estimates. Under the 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 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES (CONT.)
Direct and Guarantee Loans Receivable, Net Summary

The following table provides a summary of the change in loan receivables, net for direct and defaulted guaranteed loans as of September 30, 2023 and 2022:

	2023	2022
Loans Receivable, Net - Beginning of the Year	\$ 16,265,614	\$ 15,245,491
Add: Loans Disbursed Payments	6,439,669	2,992,532
Add: Capitalized Interest	150,801	155,241
Less: Principal and Interest Payments Received	(326,164)	(1,819,197)
Less: Fees Received	(25)	(2,907)
Add: Foreclosed Property Acquired	-	-
Less: Rent Received	-	-
Less: Sale of Foreclosed Property	-	-
Less: Loans Written Off	-	-
Less: Interest Revenue on Uninvested Funds	-	-
Add: Interest Expense on Entity Borrowings	-	-
Less: Subsidy Expense	(38,784)	(9,334)
Add: Negative Subsidy Payments	54,248	30,921
Less: Upward Reestimates	(1,383,675)	(317,949)
Add: Downward Reestimates	146,836	473,032
Less: Subsidy Allowance Amortization	28,000	(151,863)
Less: Loan Modifications	-	(330,353)
Loans Receivable, Net - End of Year	<u>\$ 21,336,520</u>	<u>\$ 16,265,614</u>

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2023 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	\$ 280,973	\$ -	\$ 280,973
Inventory Held for Repair	443,426	-	443,426
Other	36,923	-	36,923
Total Inventory	761,322	-	761,322
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	253,920	(1,986)	251,934
Items Held in Reserve for Future Use	36,653	-	36,653
Excess, Obsolete and Unserviceable Items	7,404	(6,189)	1,215
Items Held for Repair	48,524	(23,021)	25,503
Total Operating Materials & Supplies	346,501	(31,196)	315,305
Total Inventory and Related Property			<u>\$ 1,076,627</u>

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			<u>\$ 1,073,843</u>

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 MMAC 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 \$20.8 million in FY 2023 and \$5.0 million in FY 2022.

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. PROPERTY, PLANT & EQUIPMENT, NET

Property, Plant and Equipment as of September 30, 2023 consists of the following:

DOLLARS IN THOUSANDS	Service Life (In Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Book Value
MAJOR CLASSES				
Land and Improvements	10-40	\$ 105,489	\$ (2,391)	\$ 103,098
Buildings and Structures	20-40	7,811,161	(4,764,146)	3,047,015
Equipment	5-15	18,475,554	(14,437,063)	4,038,491
Internal Use Software	3-10	5,710,893	(3,261,559)	2,449,334
Assets Under Capital Lease	6-10	90,111	(57,861)	32,250
Leasehold Improvements	3	200,606	(167,397)	33,209
Aircraft	20	505,519	(391,076)	114,443
Ships and Vessels	20-25	2,406,004	(1,826,991)	579,013
Small Boats	10	30,186	(29,548)	638
Construction-in-Progress	N/A	3,611,738	-	3,611,738
Total		<u>\$ 38,947,261</u>	<u>\$ (24,938,032)</u>	<u>\$ 14,009,229</u>

	Net PPE 2023
Balance Beginning of Year	\$ 12,873,847
Capitalized Acquisitions	2,590,153
Dispositions	(2,114)
Revaluations	(254,314)
Donations	13,012
Transfers	47,414
Depreciation Expense	(1,258,769)
Balance End of Year	<u>\$ 14,009,229</u>

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

Property, Plant and Equipment as of September 30, 2022 consists of the following:

DOLLARS IN THOUSANDS	Service Life (In Years)	Acquisition	Accumulated Depreciation/ Amortization	Book Value
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	20-25	1,826,043	(1,813,725)	12,318
Small Boats	10	29,614	(29,478)	136
Construction-in-Progress	N/A	2,891,969	-	2,891,969
Total		<u>\$ 37,024,806</u>	<u>\$ (24,150,959)</u>	<u>\$ 12,873,847</u>

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	<u>\$ 12,873,847</u>

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 charges. The accumulation of costs to be capitalized for assets in 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 11 for additional information on DOT Accounting Policies related to PPE, net.

Information concerning deferred maintenance and repairs (DM&R) and estimated land acreage is discussed in unaudited required supplementary information.

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, 2023.

	Units As Of 9/30/2022	Additions	Withdrawals	Units As Of 9/30/2023
HERITAGE ASSETS				
Personal Property				
Artifacts	463	9	(111)	361
Other Collections	6,152	28	(129)	6,051
Total Personal Property Heritage Assets	<u>6,615</u>	<u>37</u>	<u>(240)</u>	<u>6,412</u>

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 U.S. Merchant Marine Academy (USMMA) and the William S. Barstow house, which are listed on the National Register of Historic Places.

Information concerning DM&R 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, 2023 and 2022 consist of the following:

DOLLARS IN THOUSANDS	2023	2022
INTRAGOVERNMENTAL		
Other Liabilities		
Unfunded FECA Liabilities	\$ 151,197	\$ 153,249
Unfunded Employment Related Liability	29,252	29,404
Other Liabilities	6,592	6,233
Total Intragovernmental	187,041	188,886
OTHER THAN INTRAGOVERNMENTAL		
Federal Employee Benefits Payable	1,387,315	1,392,167
Environmental and Disposal Liabilities (Note 13)	907,010	822,232
Other Liabilities		
Legal Claims	419,974	429,299
Capital Lease Liabilities	32,470	39,044
Other Liabilities	23,345	24,099
Total Other than Intragovernmental	2,770,114	2,706,841
Total Liabilities Not Covered by Budgetary Resources	2,957,155	2,895,727
Total Liabilities Covered by Budgetary Resources	38,446,626	34,805,164
Total Liabilities Not Requiring Budgetary Resources	330,199	511,967
Total Liabilities	\$ 41,733,980	\$ 38,212,858

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.

Liabilities Not Requiring Budgetary Resources are those liabilities payable to the General Fund of the U.S. Government primarily for custodial and other liabilities for nonentity assets to include downward subsidy reestimates in the general fund receipt account.

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, 2023 and September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	2022 Beginning Balance	2022 Net Borrowing	2022 Ending Balance	2023 Net Borrowing	2023 Ending Balance
INTRAGOVERNMENTAL DEBT					
Debt to the Treasury	\$ 14,753,337	\$ 1,312,584	\$ 16,065,921	\$ 6,154,476	\$ 22,220,397
Debt to the Federal Financing Bank	311,676	37,606	349,282	(15,953)	333,329
Total Intragovernmental Debt	<u>\$ 15,065,013</u>	<u>\$ 1,350,190</u>	<u>\$ 16,415,203</u>	<u>\$ 6,138,523</u>	<u>\$ 22,553,726</u>

As part of its credit reform program, DOT borrows from the U.S. Treasury and FFB 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 2023, DOT's U.S. Treasury borrowings carried interest rates ranging from 0.28 percent to 6.1 percent. The maturity dates for these borrowings occur between September 2025 and September 2060. FFB borrowings carried interest rates ranging from 1.32 percent to 2.38 percent. The maturity dates for these borrowings occur between 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 FFB are considered covered by budgetary resources, as no congressional action is necessary to pay the debt.

The increase in Debt to the Treasury is primarily due to increases in borrowing for the TIFIA Loan Program.

NOTE 12. FEDERAL EMPLOYEE BENEFITS PAYABLE

Federal Employee Benefits Payable during the fiscal year ended September 30, 2023 and September 30, 2022 consist of the following:

DOLLARS IN THOUSANDS	2023	2022
Actuarial FECA Liability	\$ 717,993	\$ 730,316
Employer Contributions Payable	19,432	18,017
Unfunded Leave	622,169	614,408
Other Unfunded Employment Related Liability	47,154	47,443
Total Federal Employee Benefits Payable	<u>\$ 1,406,748</u>	<u>\$ 1,410,184</u>

Federal Employees Compensation Act (FECA)

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 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 the 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 \$151.5 million and \$153.5 million at September 30, 2023 and 2022, 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.

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 \$606.3 million and \$599.3 million at September 30, 2023 and 2022, respectively.

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 Federal Employees Retirement System (FERS) have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

NOTE 13. ENVIRONMENTAL & DISPOSAL LIABILITIES

Environmental and Disposal Liabilities as of September 30, 2023 and 2022 consist of the following:

DOLLARS IN THOUSANDS	2023	2022
Environmental Remediation	\$ 371,373	\$ 382,347
Asset Cleanup and Disposal	570,856	493,873
Total Environmental and Disposal Liabilities	<u>\$ 942,229</u>	<u>\$ 876,220</u>

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, 2023 and 2022, 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 Cleanup and Disposal

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

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, 2023, includes the estimated cost of disposing 91 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, 2023 and 2022 were as follows:

DOLLARS IN THOUSANDS	2023	2022
Federal Aviation Administration	\$ 3,243,824	\$ 6,640,832
Federal Highway Administration	6,074,269	5,822,998
Federal Transit Administration	3,199,820	2,643,022
Other Operating Administrations	308,836	291,953
Total Grant Accrual	<u>\$ 12,826,749</u>	<u>\$ 15,398,805</u>

The decrease in grant accruals are primarily due to increases in reimbursements from grantees for the FAA Coronavirus Disease 2019 (COVID-19) related grants. These reimbursements result in a reduction of grant accrual payable balance.

NOTE 15. OTHER LIABILITIES

Other Liabilities as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	\$ -	\$ 164,926	\$ 164,926
FECA Billings	83,432	68,035	151,467
Liability for Nonentity Assets	-	291,277	291,277
Other Accrued Liabilities	288	74,477	74,765
Total Intragovernmental	<u>\$ 83,720</u>	<u>\$ 598,715</u>	<u>\$ 682,435</u>
OTHER THAN INTRAGOVERNMENTAL			
Accrued Pay and Benefits	-	466,661	466,661
Legal Claims (Note 17)	-	419,974	419,974
Capital Leases (Note 16)	24,579	7,891	32,470
Other Accrued Liabilities	-	45,159	45,159
Total Other than Intragovernmental	<u>24,579</u>	<u>939,685</u>	<u>964,264</u>
Total Other Liabilities	<u>\$ 108,299</u>	<u>\$ 1,538,400</u>	<u>\$ 1,646,699</u>

NOTE 15. OTHER LIABILITIES (CONT.)

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	<u>\$ 114,961</u>	<u>\$ 1,688,040</u>	<u>\$ 1,803,001</u>

NOTE 16. LEASES

Entity As Lessee

Capital Leases

As of September 30, 2023 and 2022, capital leases were comprised of the following:

DOLLARS IN THOUSANDS	2023	2022
SUMMARY OF ASSETS UNDER CAPITAL LEASE BY CATEGORY		
Land, Buildings & Machinery	\$ 90,111	\$ 90,111
Accumulated Amortization	(57,861)	(54,295)
Net Assets Under Capital Lease	<u>\$ 32,250</u>	<u>\$ 35,816</u>

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

As of September 30, 2023, DOT's future payments due on assets under capital lease were:

Fiscal Year	Federal	Non-Federal
FUTURE PAYMENTS DUE		
FY 2024	-	7,891
FY 2025	-	7,238
FY 2026	-	6,701
FY 2027	-	3,714
FY 2028	-	3,595
FY 2029+	-	7,584
Total Future Lease Payments	-	36,723
Less: Imputed Interest	-	4,253
Net Capital Lease Liability	<u>\$ -</u>	<u>\$ 32,470</u>

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 \$314.4 million and \$311.7 million for the years ended September 30, 2023 and 2022, respectively. For FY 2023, the Federal operating lease expense incurred was \$230.3 million and the non-Federal operating lease expense incurred was \$84.1 million. 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. GSA leases include terms with a short termination privilege. However, DOT intends to remain in the leases. The GSA rent activity for the DOT Headquarters Building is paid to the DOT Working Capital Fund by the OAs. The DOT Working Capital Fund then pays the total lease payments for the Department to GSA. DOT's current and future federal lease payments reflect the removal of the intra-departmental rent activity for the DOT Headquarters Building. DOT's operating leases carry terms expiring at various dates ranging from 2023 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, 2023, 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 2024	205,239	69,360
FY 2025	194,360	43,122
FY 2026	187,311	37,096
FY 2027	182,764	32,376
FY 2028	140,820	25,673
FY 2029+	509,886	79,967
Total Future Lease Payments	<u>\$ 1,420,380</u>	<u>\$ 287,594</u>

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, 2023 and 2022, DOT's contingent liabilities, in excess of amounts accrued (Note 15), for asserted and pending legal claims are as follows:

2023	Accrued Liabilities		Estimated Range Of Loss	
		Lower End	Upper End	
LEGAL CONTINGENCIES				
Probable	\$ 419,974	\$ 419,805	\$ 419,805	
Reasonably Possible		372,795	2,183,095	

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	

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, 2023 and 2022, FHWA has \$75.4 billion and \$69.3 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, 2023 and 2022.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment Grants Program under 49 U.S.C. 5309(k)(2), Fixing America's Surface Transportation Act of 2015 (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, 2023 and September 30, 2022, FTA had funding commitments in FFGAs totaling \$2.16 billion and \$6.49 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, 2023.

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, 2023 and 2022, FAA has letters of intent totaling \$280 million and \$256 million, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2023 and 2022.

NOTE 17. COMMITMENTS & CONTINGENCIES (CONT.)

Environmental Liabilities

As of September 30, 2023 and 2022, 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.

2023	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	\$ 942,229	942,229	942,229
Reasonably Possible		135,295	135,295

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

See Note 13 for additional information on environmental liabilities.

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 (HTF)

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 (AATF)

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, 2023 and 2022, 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 2023

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 2023 Total Funds From Dedicated Collections (Consolidated)
BALANCE SHEET							<i>As of September 30, 2023</i>
Assets							
Intragovernmental							
Fund Balance with Treasury	\$ 5,901,340	\$ 789,749	\$ 14,652	\$ 3,715,247	\$ 10,420,988	\$ -	\$ 10,420,988
Investments, Net	115,690,657	16,694,184	-	2,494,113	134,878,954	-	134,878,954
Accounts Receivable, Net	102,164,562	-	-	6,335,151	108,499,713	(108,456,381)	43,332
Advances and Prepayments	191,398	-	-	251,139	442,537	(28,324)	414,213
Total Intragovernmental	223,947,957	17,483,933	14,652	12,795,650	254,242,192	(108,484,705)	145,757,487
Other than Intragovernmental							
Accounts Receivable, Net	14,401	-	-	38,041	52,442	-	52,442
Property, Plant & Equipment, Net	401,895	-	-	3,392,865	3,794,760	-	3,794,760
Advances and Prepayments	763	-	-	1,881	2,644	-	2,644
Total Other than Intragovernmental	417,059	-	-	3,432,787	3,849,846	-	3,849,846
Total Assets	\$ 224,365,016	\$ 17,483,933	\$ 14,652	\$ 16,228,437	\$ 258,092,038	\$ (108,484,705)	\$ 149,607,333
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	\$ 103,459,544	\$ 6,314,529	\$ -	\$ 19,041	\$ 109,793,114	\$ (108,456,381)	\$ 1,336,733
Advances from Others and Deferred Revenue	531,364	-	-	36,547	567,911	(28,324)	539,587
Other Liabilities	18,782	-	-	303,335	322,117	-	322,117
Total Intragovernmental Liabilities	104,009,690	6,314,529	-	358,923	110,683,142	(108,484,705)	2,198,437
Other than Intragovernmental							
Accounts Payable	36,221	-	-	447,065	483,286	-	483,286
Federal Employee Benefits Payable	74,166	-	-	1,238,040	1,312,206	-	1,312,206
Accrued Grant Liabilities	7,720,841	-	88	1,602,052	9,322,981	-	9,322,981
Advances from Others and Deferred Revenue	88,825	-	-	143,535	232,360	-	232,360
Other Liabilities	58,578	-	1,444	397,594	457,616	-	457,616
Total Other than Intragovernmental Liabilities	7,978,631	-	1,532	3,828,286	11,808,449	-	11,808,449
Total Liabilities	111,988,321	6,314,529	1,532	4,187,209	122,491,591	(108,484,705)	14,006,886
Unexpended Appropriations	-	-	550	1,164,942	1,165,492	-	1,165,492
Cumulative Results of Operations	112,376,695	11,169,404	12,570	10,876,286	134,434,955	-	134,434,955
Total Liabilities and Net Position	\$ 224,365,016	\$ 17,483,933	\$ 14,652	\$ 16,228,437	\$ 258,092,038	\$ (108,484,705)	\$ 149,607,333
STATEMENT OF NET COST							<i>For the year ended September 30, 2023</i>
Program Costs	\$ 61,752,258	\$ -	\$ 154	\$ 18,800,656	\$ 80,553,068	\$ (19,350)	\$ 80,533,718
Less Earned Revenue	370,232	4	-	657,878	1,028,114	(19,350)	1,008,764
Net Program Costs	61,382,026	(4)	154	18,142,778	79,524,954	-	79,524,954
Costs Not Attributed to Programs	-	-	-	-	-	-	-
Net Cost of Operations	\$ 61,382,026	\$ (4)	\$ 154	\$ 18,142,778	\$ 79,524,954	\$ -	\$ 79,524,954

NOTE 18. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

Fiscal Year 2023

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 2023 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION							
For the year ended September 30, 2023							
Unexpected Appropriations							
Beginning Balance	\$ -	\$ -	\$ 550	\$ 1,257,772	\$ 1,258,322	\$ -	\$ 1,258,322
Appropriations Received	-	-	-	1,921,179	1,921,179	-	1,921,179
Appropriations Transferred in/out	-	-	-	1,080	1,080	-	1,080
Other Adjustments	-	-	-	(25,023)	(25,023)	-	(25,023)
Appropriations Used	-	-	-	(1,990,066)	(1,990,066)	-	(1,990,066)
Total Unexpended Appropriations	=	=	550	1,164,942	1,165,492	=	1,165,492
Cumulative Results of Operations							
Beginning Balance	\$ 125,691,575	\$ 5,425,218	\$ 12,724	\$ 10,997,972	\$ 142,127,489	\$ -	\$ 142,127,489
Appropriations Used	-	-	-	1,990,066	1,990,066	-	1,990,066
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Receipts	48,476	-	-	4,384	52,860	-	52,860
Intragovernmental Non-Exchange Revenue	47,939,375	22,596,583	-	-	70,535,958	-	70,535,958
Donations and Forfeitures of Cash/Cash Equivalents	-	-	-	901	901	-	901
Transfers In/Out Without Reimbursement	194,579	(16,852,401)	-	15,291,957	(1,365,865)	-	(1,365,865)
Imputed Financing	59,177	-	-	733,784	792,961	-	792,961
Other	(174,461)	-	-	-	(174,461)	-	(174,461)
Net Cost of Operations	61,382,026	(4)	154	18,142,778	79,524,954	-	79,524,954
Net Change in Cumulative Results of Operations	(13,314,880)	5,744,186	(154)	(121,686)	(7,692,534)	-	(7,692,534)
Cumulative Results of Operations: Ending	112,376,695	11,169,404	12,570	10,876,286	134,434,955	-	134,434,955
Net Position, End of Period	\$ 112,376,695	\$ 11,169,404	\$ 13,120	\$ 12,041,228	\$ 135,600,447	\$ -	\$ 135,600,447

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							<i>As of September 30, 2022</i>
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
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							<i>For the year ended September 30, 2022</i>
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 19. EXCISE TAXES & OTHER NONEXCHANGE REVENUE

The IRS collects various excise taxes that are deposited into the HTF and AATF. The U.S. Treasury, 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 2023, the DOT financial statements include actual excise tax revenue certified through June 30, 2023, and excise tax revenue allocated by OTA for the quarters ended September 30, 2023. As a result, total taxes recognized in the DOT FY 2023 financial statements include the OTA allocation of \$15.4 billion for the quarter ended September 30, 2023 and the actual amounts certified through June 30, 2023 of \$47.1 billion.

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

For the years ended September 30, 2023 and 2022, 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, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
HIGHWAY TRUST FUND		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	\$ 23,491,817	\$ 27,944,943
Diesel and Special Motor Fuels	10,952,827	13,053,167
Trucks	9,232,300	6,921,636
Investment Income	5,717,542	977,928
Fines and Penalties	53	(88)
Total Taxes	49,394,539	48,897,586
Less: Transfers	(1,542,265)	(1,306,950)
Other Nonexchange Revenue	87,154	21,823
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	47,939,428	47,612,459
FEDERAL AVIATION ADMINISTRATION		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	\$15,740,165	\$8,129,148
International Departure	5,195,110	1,946,903
Fuel (Air)	849,320	590,043
Waybill	748,610	737,117
Investment Income	319,098	156,400
Tax Refunds and Credits	(255,721)	(26,586)
Other	4,384	4,723
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	22,600,966	11,537,748
Other Miscellaneous Net Nonexchange Revenue	50,896	68,508
Total Nonexchange Revenue	\$ 70,591,290	\$ 59,218,715

The increase in nonexchange is primarily due to an increase in FAA excise tax collection resulting from increases in air travel following reductions in air travel as a result of the COVID-19 pandemic.

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.
- **Borrowing authority:** A type of budget authority that permits obligations and outlays to be financed by borrowing.
- **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.
- **Contract authority:** A type of budget authority that permits obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations.
- **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.
- **Spending authority from offsetting collections:** A type of budget authority that permits obligations and outlays to be financed by offsetting collections.

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, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Unobligated Balance brought forward, October 1	\$ 107,263,503	\$ 99,077,983
Adjustments to Unobligated Balance brought forward, October 1	2,539,049	(1,989)
Recoveries of Prior Year Obligations	2,000,081	2,382,656
Other Adjustments to Unobligated Balance brought forward, October 1	(326,225)	(2,246,607)
Unobligated Balance from prior year budget authority, net	<u>\$ 111,476,408</u>	<u>\$ 99,212,043</u>

NOTE 20. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES (CONT.)**Borrowing Authority, End Of Period And Terms Of Borrowing Authority Used**

DOT had \$1.7 billion and \$5.6 billion in borrowing authority in FY 2023 and FY 2022, respectively. Borrowing authority is indefinite and authorized under FCRA, and is used to finance obligations during the current year, as needed. Under the provisions of 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.

AVAILABLE CONTRACT AUTHORITY*For the periods ended September 30, 2023 and 2022*

DOLLARS IN THOUSANDS	2023	2022
Available Contract Authority at Year-End	\$ 24,914,130	\$ 18,725,455

UNDELIVERED ORDERS

DOLLARS IN THOUSANDS	2023		2022	
	Federal	Non-Federal	Federal	Non-Federal
Undelivered Orders at Year-End, unpaid	\$ 1,132,716	\$ 176,426,148	\$ 1,103,982	\$ 166,665,986
Undelivered Orders at Year-End, paid	786,240	2,230,840	565,728	1,945,205

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 FCRA. 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 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.

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

The reconciliation for the year ended September 30, 2022, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2023, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2025, which presents the execution of the FY 2023 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 2024.

DOLLARS IN MILLIONS	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 382,199	\$ 274,936	\$ (119,736)	\$ 233,433
Funds Not Reported in the Budget				
Expired Funds	(311)	-	-	-
Non-Budgetary Credit Reform Financing Accounts - Disbursements, Net	-	-	-	1,775
Other	(4)	(9)	59	(2)
Budget of the United States Government	<u>\$ 381,884</u>	<u>\$ 274,927</u>	<u>\$ (119,677)</u>	<u>\$ 235,206</u>

Other differences represent financial statement adjustments, timing differences, and other immaterial differences between amounts reported in the Department's Statement of Budgetary Resources and the Budget of the United States Government.

NOTE 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, 2023 and 2022:

DOLLARS IN THOUSANDS	2023	2022
SOURCES OF CASH COLLECTIONS		
Miscellaneous Receipts	\$ 397,233	\$ 45,636
User Fees	1,322	407
Fines, Penalties and Forfeitures	134,443	47,310
Total Cash Collections	532,998	93,353
Accrual Adjustment	10,446	11,641
Total Custodial Revenue	543,444	104,994
DISPOSITION OF COLLECTIONS		
Transferred to Treasury’s General Fund	452,055	77,509
Transferred to Highway Trust Fund	80,943	15,844
Increase (Decrease) in Amounts to be Transferred	10,446	11,641
Net Custodial Activity	\$ -	\$ -

DOT custodial revenue increase is primarily due to an increase in collections received in FY 2023 for the Corporate Average Fuel Economy (CAFÉ) fines and penalties fees.

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, 2023

DOLLARS IN THOUSANDS	Intragovernmental	Other than Intragovernmental	Total
NET OPERATING COST (SNC)	\$ 2,886,060	\$ 105,175,538	\$ 108,061,598
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	-	(1,258,769)	(1,258,769)
Property, Plant, and Equipment Disposal & Reevaluation	-	(256,428)	(256,428)
Cost of Goods Sold	(306)	(61,837)	(62,143)
Inventory Disposals Revaluations	-	12,935	12,935
Year-end Credit Reform Subsidy Re-estimates	345,930	-	345,930
Increase/(Decrease) in Assets			
Accounts Receivable, Net	(200,062)	11,442	(188,620)
Investments, Net	12,337	-	12,337
Advances and Prepayments	6,160	285,466	291,626
(Increase)/Decrease in Liabilities:			
Accounts Payable	(993,660)	154,303	(839,357)
Environmental and Disposal Liabilities	-	(66,009)	(66,009)
Federal Employee Benefits Payable	-	3,437	3,437
Advances From Others and Deferred Revenue	(283,036)	(7,291)	(290,327)
Accrued Grant Liabilities	-	2,572,056	2,572,056
Other Liabilities	177,156	(16,082)	161,074
Financing Sources			
Imputed Costs	(866,155)	-	(866,155)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(1,801,636)	1,373,223	(428,413)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	199,626	2,390,527	2,590,153
Acquisition of Inventory	-	51,992	51,992
Effect of Prior Year Credit Reform Subsidy Re-estimates	(795,272)	-	(795,272)
Financing Sources			
Donated Revenue	-	(901)	(901)
Transfers Out (In) Without Reimbursements	(304,901)	-	(304,901)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	(900,547)	2,441,618	1,541,071
Miscellaneous Items			
FCRA Net Cost Impact	(531,937)	538,275	6,338
Custodial/Non-exchange Revenue	2,583	(79,048)	(76,465)
Custodial/Exchange Revenue	138,635	(376,587)	(237,952)
Non-Entity Activity	345,901	-	345,901
Appropriated Receipts for Trust/Special Funds	270,463	-	270,463
Total Other Reconciling Items	225,645	82,640	308,285
Total Net Outlays	<u>\$ 409,522</u>	<u>\$ 109,073,019</u>	<u>\$ 109,482,541</u>
Outlays, Net (SBR 4190)			110,914,296
Distributed Offsetting Receipts (SBR 4200)			(1,431,755)
Budgetary Agency Outlays, Net (SBR)			<u>\$ 109,482,541</u>

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

For the year ended September 30, 2022

DOLLARS IN THOUSANDS	Intragovernmental	Other than Intragovernmental	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 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	<u>\$ 1,081,543</u>	<u>\$ 112,614,848</u>	<u>\$ 113,696,391</u>
Outlays, Net (SBR 4190)			233,432,830
Distributed Offsetting Receipts (SBR 4200)			(119,736,439)
Budgetary Agency Outlays, Net (SBR)			<u>\$ 113,696,391</u>

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, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Fiduciary Net Assets, Beginning of Year	\$ 2,457	\$ 2,018
Contributions	1,213	2,370
Investment Earnings	(1,018)	146
Disbursements to and on Behalf of Beneficiaries	(1,479)	(2,077)
Increases/(Decreases) in Fiduciary Net Assets	(1,284)	439
Fiduciary Net Assets, End of Year	<u>\$ 1,173</u>	<u>\$ 2,457</u>

FIDUCIARY NET ASSETS

As of September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Fiduciary Fund Balance with Treasury	\$ 1,088	\$ 1,354
Investments in Treasury Securities	85	1,103
Total Fiduciary Net Assets	<u>\$ 1,173</u>	<u>\$ 2,457</u>

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 DOT) owns 100% of Amtrak's preferred stock (109,396,994 shares of \$100 par value). The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock (see Section 415(c), P.L. 105-134, 111 Stat. 2590 (December 2, 1997)). The Act also eliminated further issuance of preferred stock to the Department. Each share of preferred stock is convertible into 10 shares of common stock. Four common stockholders (private sector corporations) own 9,385,694 shares of \$10 par value common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events."¹ Although Section 4.02(g) of the Amtrak Articles of Incorporation allow for the conversion of preferred stock to common stock, the government would not convert its holdings without Congressional authorization. Section 4.02(g) of the Amtrak Articles of Incorporation does not limit the timing of conversion, or require any preapprovals. Conversion is effective the business day following receipt of written notice of the holder's election to convert. The Department does not recognize the Amtrak preferred stock in its financial statements because, under the Corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears. In addition to the purchase/ownership of the Amtrak preferred stock, the Department has provided funding to Amtrak, since 1972, primarily through grants and loans.

Amtrak receives grants from DOT, through the 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, 2023, net costs related to Amtrak grants were \$2.9 billion, total budgetary outlays were \$3.2 billion, and the remaining undelivered order balance for Amtrak is \$10.2 billion. 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 was \$6.7 billion.

In 2016, DOT entered into a loan agreement with Amtrak under the RRIF program (2016 RRIF loan). The amount of the loan is \$2.45 billion. 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 rate at each disbursement, is 5.80% or \$142.1 million. 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, 2023, the undelivered order balance of the RRIF loan is \$1.49 billion. There was a disbursement of \$402.4 million as of September 2023. As of September 30, 2022, the undelivered order balance of the RRIF loan is \$1.9 billion. There were no disbursements as of September 30, 2022.

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

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.)

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 Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136) was signed into law on March 27, 2020. DOT received \$36 billion of FY 2020 supplemental appropriations to prevent, prepare for, or respond to COVID-19. Several DOT programs received general fund appropriations in support of maintaining and continuing the operations and business needs of various transportation systems in response to the coronavirus. FTA received \$25 billion in the Transit Infrastructure Grants (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 \$1.0 billion in grants to Amtrak to support the railroad's activities to maintain service for its passengers and support business operations. OST received \$56 million in the Essential Air Service and Rural Improvement program to support the small communities to maintain access to the national air transportation system. MARAD received \$2 million in appropriations to use in support of State Maritime Academies and 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.

There were no additional funding received in FY 2023 or 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, 2023 and 2022. 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 2023 Total Programs and Activities
BALANCE SHEET								
<i>As of September 30, 2023</i>								
Assets								
Intragovernmental								
Fund Balance with Treasury	\$ 10,522,232	\$ 2,212,208	\$ 3,165,545	\$ 14	\$ 14,054	\$ 337	\$ 3,011	\$ 15,917,401
Advances and Prepayments	-	239	-	794	43	-	-	1,076
Total Intragovernmental	10,522,232	2,212,447	3,165,545	808	14,097	337	3,011	15,918,477
Other than Intragovernmental								
Accounts Receivable, Net	2	207	-	-	712	-	-	921
Advances, Prepayments, and Other Assets	-	-	-	72,129	712	-	-	72,841
Total Other than Intragovernmental	2	207	-	72,129	1,424	-	-	73,762
Total Assets	\$ 10,522,234	\$ 2,212,654	\$ 3,165,545	\$ 72,937	\$ 15,521	\$ 337	\$ 3,011	\$ 15,992,239
Liabilities and Net Position								
Intragovernmental								
Other Liabilities	\$ 74	-	-	-	-	-	-	\$ 74
Total Intragovernmental	74	-	-	-	-	-	-	74
Other than Intragovernmental								
Accounts Payable	-	1,457	-	-	-	-	-	1,457
Federal Employee and Benefits Payable	481	-	-	-	-	-	-	481
Grant Accrual	1,108,364	2,055,951	-	-	-	-	-	3,164,315
Other Liabilities	-	-	-	-	-	-	-	-
Total Other than Intragovernmental	1,108,845	2,057,408	-	-	-	-	-	3,166,253
Total Liabilities	\$ 1,108,919	\$ 2,057,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,166,327
Unexpended Appropriations - Funds from Dedicated Collections	-	-	-	-	662	-	-	662
Unexpended Appropriations - Funds from Other than Dedicated Collections	9,413,868	121,449	3,165,545	72,937	10,147	337	3,011	12,787,294
Cumulative Results of Operations - Funds From Dedicated Collections	-	32,180	-	-	-	-	-	32,180
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(553)	1,617	-	-	4,712	-	-	5,776
Total Net Position	9,413,315	155,246	3,165,545	72,937	15,521	337	3,011	12,825,912
Total Liabilities and Net Position	\$ 10,522,234	\$ 2,212,654	\$ 3,165,545	\$ 72,937	\$ 15,521	\$ 337	\$ 3,011	\$ 15,992,239

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2023 Total Programs and Activities
STATEMENT OF NET COSTS								
	<i>For the period ended September 30, 2023</i>							
Program Costs	\$ 9,956,064	\$ 781,755	\$ 1,989,829	\$ 191,111	\$ (8,342)	\$ 3	\$ 489	\$ 12,910,909
Net Cost of Operations	\$ 9,956,064	\$ 781,755	\$ 1,989,829	\$ 191,111	\$ (8,342)	\$ 3	\$ 489	\$ 12,910,909
STATEMENT OF CHANGES IN NET POSITION								
Unexpended Appropriations								
Beginning Balance (Funds from Dedicated Collections)	\$ -	\$ -	\$ -	\$ -	\$ 662	\$ -	\$ -	\$ 662
Beginning Balance (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
Appropriations Transferred-In/Out (Funds from Other than Dedicated Collections)	-	-	(147,497)	-	-	-	-	(147,497)
Other Adjustments (Funds from Other than Dedicated Collections)	-	(48,228)	(37,180)	(2,000)	(2,309,829)	-	-	(2,397,237)
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	-	-	-	-
Appropriations Used (Funds from Other than Dedicated Collections)	(9,955,443)	(628,397)	(1,989,829)	(191,111)	7,797	(3)	(489)	(12,757,475)
Total Unexpended Appropriations (Funds from Dedicated Collections)	-	-	-	-	662	-	-	662
Total Unexpended Appropriations (Funds from Other than Dedicated Collections)	9,413,868	121,449	3,165,545	72,937	10,147	337	3,011	12,787,294
Total Unexpended Appropriations - Ending	\$ 9,413,868	\$ 121,449	\$ 3,165,545	\$ 72,937	\$ 10,809	\$ 337	\$ 3,011	\$ 12,787,956
Cumulative Results of Operations								
Beginning Balance (Funds from Dedicated Collections)	\$ -	\$ 193,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,594
Beginning Balance (Funds from Other than Dedicated Collections)	(487)	926	-	-	4,167	-	-	4,606
Appropriations Used (Funds from Dedicated Collections)	-	-	-	-	-	-	-	-
Appropriations Used (Funds from Other than Dedicated Collections)	9,955,443	628,397	1,989,829	191,111	(7,797)	3	489	12,757,475
Transfers-in/(out) Without Reimbursement (Funds from Dedicated Collections)	-	(7,384)	-	-	-	-	-	(7,384)
Imputed Financing (Funds from Dedicated Collections)	-	5	-	-	-	-	-	5
Imputed Financing (Funds from Other than Dedicated Collections)	555	14	-	-	-	-	-	569

NOTE 25. COVID-19 ACTIVITY (CONT.)

DOLLARS IN THOUSANDS	FTA	FAA	FHWA	FRA	OST	MARAD	OIG	Fiscal Year 2023 Total Programs and Activities
Total (Funds From Dedicated Collections)	-	186,215	-	-	-	-	-	186,215
Total (Funds from Other than Dedicated Collections)	9,955,511	629,337	1,989,829	191,111	(3,630)	3	489	12,762,650
Net Cost of Operations (Funds from Dedicated Collections)	-	154,035	-	-	-	-	-	154,035
Net Cost of Operations (Funds from Other than Dedicated Collections)	9,956,064	627,720	1,989,829	191,111	(8,342)	3	489	12,756,874
Cumulative Results of Operations (Funds from Dedicated Collections)	-	32,180	-	-	-	-	-	32,180
Cumulative Results of Operations (Funds from Other than Dedicated Collections)	(553)	1,617	-	-	4,712	-	-	5,776
Total Cumulative Results of Operations - Ending	\$ (553)	\$ 33,797	\$ -	\$ -	\$ 4,712	\$ -	\$ -	\$ 37,956
Total Net Position End of Period (Funds from Dedicated Collections)	-	32,180	-	-	662	-	-	32,842
Total Net Position End of Period (Funds from Other than Dedicated Collections)	9,413,315	123,066	3,165,545	72,937	14,859	337	3,011	12,793,070
Total Net Position	<u>\$ 9,413,315</u>	<u>\$ 155,246</u>	<u>\$ 3,165,545</u>	<u>\$ 72,937</u>	<u>\$ 15,521</u>	<u>\$ 337</u>	<u>\$ 3,011</u>	<u>\$ 12,825,912</u>
COMBINED STATEMENTS OF BUDGETARY RESOURCES For the period ended September 30, 2023								
Budgetary resources								
Unobligated Balance From Prior Year Budget Authority, Net	\$ 3,742,743	\$ 378,997	\$ 2,687,112	\$ 2,000	\$ 2,324,375	\$ 335	\$ 3,500	\$ 9,139,062
Appropriations	-	(55,612)	(37,180)	(2,000)	(2,309,830)	-	-	(2,404,622)
Total Budgetary Resources	<u>\$ 3,742,743</u>	<u>\$ 323,385</u>	<u>\$ 2,649,932</u>	<u>\$ -</u>	<u>\$ 14,545</u>	<u>\$ 335</u>	<u>\$ 3,500</u>	<u>\$ 6,734,440</u>
Status of Budgetary Resources								
New Obligations and Upward Adjustments	\$ 3,494,796	\$ 312,550	\$ 2,648,748	\$ -	\$ 6,704	\$ -	\$ 489	\$ 6,463,287
Unobligated Balance, End of Year								
Apportioned Unexpired Accounts	247,947	1,508	1,184	-	490	-	3,011	254,140
Unapportioned Unexpired Accounts	-	77			7,351	-		7,428
Expired Unobligated Balance		9,250				335		9,585
Unobligated Balance, End of Year	247,947	10,835	1,184	-	7,841	335	3,011	271,153
Total Budgetary Resources	<u>\$ 3,742,743</u>	<u>\$ 323,385</u>	<u>\$ 2,649,932</u>	<u>\$ -</u>	<u>\$ 14,545</u>	<u>\$ 335</u>	<u>\$ 3,500</u>	<u>\$ 6,734,440</u>
Outlays, Net								
Outlays, Net (total)	\$ 9,727,894	\$ 4,442,978	\$ 1,989,829	\$ -	\$ 191,083	\$ 3	\$ 489	\$ 16,352,276
Agency Outlays, Net	<u>\$ 9,727,894</u>	<u>\$ 4,442,978</u>	<u>\$ 1,989,829</u>	<u>\$ -</u>	<u>\$ 191,083</u>	<u>\$ 3</u>	<u>\$ 489</u>	<u>\$ 16,352,276</u>

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								
<i>As of September 30, 2022</i>								
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
STATEMENT OF NET COSTS								
<i>For the period ended September 30, 2022</i>								
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 Transferred-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	<u>\$ 19,368,824</u>	<u>\$ 992,594</u>	<u>\$ 5,340,051</u>	<u>\$ 266,048</u>	<u>\$ 2,317,008</u>	<u>\$ 340</u>	<u>\$ 3,500</u>	<u>\$ 28,288,365</u>
COMBINED STATEMENTS OF BUDGETARY RESOURCES								
For the period ended September 30, 2022								
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	-	-	-	-	-	-	-	-
Total Budgetary Resources	<u>\$ 29,988,175</u>	<u>\$ 3,994,444</u>	<u>\$ 5,787,887</u>	<u>\$ 2,000</u>	<u>\$ 2,589,459</u>	<u>\$ 315</u>	<u>\$ 4,574</u>	<u>\$ 42,366,854</u>
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	<u>\$ 29,988,175</u>	<u>\$ 3,994,444</u>	<u>\$ 5,787,887</u>	<u>\$ 2,000</u>	<u>\$ 2,589,459</u>	<u>\$ 315</u>	<u>\$ 4,574</u>	<u>\$ 42,366,854</u>
Outlays, Net								
Outlays, Net (total)	\$ 24,116,181	\$4,934,429	\$2,714,566	\$ 1,001	\$ 302,947	\$ 16	\$ 1,074	\$ 32,070,214
Agency Outlays, Net	<u>\$ 24,116,181</u>	<u>\$ 4,934,429</u>	<u>\$ 2,714,566</u>	<u>\$ 1,001</u>	<u>\$ 302,947</u>	<u>\$ 16</u>	<u>\$ 1,074</u>	<u>\$ 32,070,214</u>

NOTE 25. COVID-19 ACTIVITY (CONT.)

BUDGETARY ACTIVITY

For the years ended September 30, 2023 and 2022

DOLLARS IN THOUSANDS	2023	2022
Budgetary Resources: Unobligated balance carried forward from the prior year	\$ 8,957,950	\$ 42,135,895
New Budget Authority (+)	-	-
Rescissions (-) and other changes (+/-) to budgetary resources	(2,223,510)	230,960
Budgetary Resources Obligated (-)	(6,463,287)	(33,408,905)
Budgetary Resources: Ending unobligated balance to be carried forward	\$ 271,153	\$ 8,957,950
Outlays, Net (total)	<u>\$ 16,352,276</u>	<u>\$ 32,070,214</u>

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 (USSGL) 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 FR statements. This note shows the DOT financial statements and the DOT reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2022 FR can be found on the Bureau of the Fiscal Service Reports, Statements & Publications website and a copy of the 2023 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 2023 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2023 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
							<i>Non-Federal Costs</i>
Gross Costs	111,030,777	\$ 76,178,662	\$ -	\$ 30,115,657	\$ -	\$ 106,294,319	Non-Federal Gross Cost
		76,178,662	-	30,115,657	-	106,294,319	Total Non-Federal Costs
							<i>Intragovernmental Costs</i>
		2,112,406	-	193,475	-	2,305,881	Benefit Program Costs
		792,961	-	73,194	-	866,155	Imputed Costs
		1,004,988	(19,350)	110,231	(659,415)	436,454	Buy/Sell Costs
		192,543	(647)	3,710	(42,499)	153,107	Purchase of Assets
		16	-	610,495	-	610,511	Borrowing and Other Interest Expense
		464,035	-	53,422	-	517,457	Other Expenses (w/o Reciprocals)
		(192,543)	647	(3,710)	42,499	(153,107)	Purchase of Assets Offset
		4,374,406	(19,350)	1,040,817	(659,415)	4,736,458	Total Intragovernmental Costs

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

FY 2023 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2023 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
<i>Total Gross Costs</i>	111,030,777	80,553,068	(19,350)	31,156,474	(659,415)	111,030,777	Total Reclassified Gross Costs
Earned Revenue	2,969,179	477,070	-	641,711	-	1,118,781	Non-Federal Earned Revenue
							<i>Intragovernmental Revenue</i>
		471,775	(19,350)	1,899,561	(659,415)	1,692,571	Buy/Sell Revenue
		79,264	-	-	-	79,264	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		5	-	78,558	-	78,563	Borrowing and Other Interest Revenue
		551,044	(19,350)	1,978,119	(659,415)	1,850,398	<i>Total Intragovernmental Earned Revenue</i>
<i>Total Earned Revenue</i>	2,969,179	1,028,114	(19,350)	2,619,830	(659,415)	2,969,179	Total Reclassified Earned Revenue
Net Cost of Operations	\$ 108,061,598	\$ 79,524,954	\$ -	\$ 28,536,644	\$ -	\$ 108,061,598	Net Cost of Operations
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	383,955	-	-	383,952	-	383,952	Non-Federal Earned Revenue
		-	-	3	-	3	Buy/Sell Revenue (Federal)
<i>Total Exchange Custodial Collections</i>	383,955	-	-	383,955	-	383,955	<i>Total Reclassified Exchange Custodial Collections</i>
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(383,955)	-	-	(383,955)	-	(383,955)	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 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 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	\$ 110,878,151	\$ 1,258,322	\$ -	\$ 109,619,829	\$ -	\$ 110,878,151	Net Position, Beginning of Period
Appropriations Received	53,751,376	1,921,179	-	51,830,197	-	53,751,376	Appropriations Received as Adjusted
Appropriations Transferred In/Out	(20,415)	1,080	-	14,000	-	15,080	Non-Expenditure Transfers-In of Unexpended Appropriations
		-	-	(35,495)		(35,495)	Non-Expenditure Transfers-out of Unexpended Appropriations
<i>Total Appropriations Transferred In/Out</i>	(20,415)	1,080	-	(21,495)	-	(20,415)	<i>Total Reclassified Appropriations Transferred In/Out</i>
Other Adjustments	(2,800,791)	(25,023)	-	(2,775,768)	-	(2,800,791)	Appropriations Received as Adjusted
Appropriations Used	(29,926,715)	(1,990,066)	-	(27,936,649)	-	(29,926,715)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	\$ 131,881,606	\$ 1,165,492	\$ -	\$ 130,716,114	\$ -	\$ 131,881,606	Total Unexpended Appropriations
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	152,024,777	142,127,489	-	9,897,288	-	152,024,777	Net Position, Beginning of Period
Other Adjustments	(63)	-	-	(63)	-	(63)	Revenue and Other Financing Sources - Cancellations
Appropriations Used	29,926,715	1,990,066	-	27,936,649	-	29,926,715	Appropriation Expended (Federal)

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

FY 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 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	70,591,290						Non-Federal Non-Exchange Revenues
		52,860	-	2,472	-	55,332	Other Taxes and Receipts
		52,860	-	2,472	-	55,332	Total Non-Federal Non-Exchange Revenues
							Federal Non-Exchange Revenue
		6,036,640	-	-	-	6,036,640	Federal Securities Interest Revenue
		446		-		446	Borrowings and Other Interest Revenue
		80,943				80,943	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		5,766	-	-	-	5,766	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		64,412,163	-	-	-	64,412,163	Other Taxes and Receipts
		70,535,958	-	-	-	70,535,958	Total Federal Non-Exchange Revenue
Total Non-Exchange Revenue	70,591,290	70,588,818	-	2,472	-	70,591,290	Total Reclassified Non-Exchange Revenues
Donations and Forfeitures of Cash/ Cash Equivalents	901	901	-	-	-	901	Donations and Forfeitures of Cash/ Cash Equivalents
Transfers-In/ (Out) Without Reimbursement	34,704	103,269,521	(102,859,287)	1,789,258	(2,123,443)	76,049	Transfers-In w/o Reimbursement
		(104,635,386)	102,859,287	(388,689)	2,123,443	(41,345)	Transfers-Out w/o Reimbursement
		(1,365,865)	-	1,400,569	-	34,704	Total Reclassified Transfers-In/Out w/o Reimbursement
Donations and Forfeitures of Property	13,012	-	-	13,012	-	13,012	Donations and Forfeitures of Property

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

FY 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 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	866,155	792,961	-	73,194	-	866,155	Imputed Financing Sources (Federal)
Other	(354,056)			(539,763)		(539,763)	Non-Entity Collections Transferred to the General Fund
		-	-	186,449	-	186,449	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(173,719)	-	173,719	-	-	Borrowings and Other Interest Revenue (Non-exchange)
		(742)		-	-	(742)	Other Taxes and Receipts
<i>Total Other</i>	(354,056)	(174,461)	-	(179,595)	-	(354,056)	<i>Total Reclassified Other</i>
Net Cost of Operations	108,061,598	79,524,954	-	28,536,644	-	108,061,598	Net Cost of Operations
Ending Balance – Cumulative Results of Operations	145,041,837	134,434,955	-	10,606,882	-	145,041,837	Net Position – Ending Balance
Total Net Position	\$ 276,923,443	\$ 135,600,447	\$ -	\$ 141,322,996	\$ -	\$ 276,923,443	Total Net Position
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	159,489	-	-	159,489	-	159,489	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 2023 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2023 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	(159,489)	-	-	(68,257)	-	(68,257)	Non-Entity Custodial Collections Transferred to the General Fund
				(80,943)		(80,943)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
				(5,766)		(5,766)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(4,523)	-	(4,523)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
<i>Total Disposition of Non-Exchange Custodial Collections</i>	(159,489)	-	-	(159,489)	-	(159,489)	<i>Total Reclassified Disposition of Non-Exchange Custodial Collections</i>

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2023

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	\$ 719,730	\$ 1,114,523
	Unstaffed Facilities	Long range radars; unstaffed infrastructure and fuel storage tanks	1,226,097	1,435,319
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	17,156	29,871
	Buildings	Real property structure—U.S. Merchant Marine Academy	324,940	316,210
Total			<u>\$ 2,287,923</u>	<u>\$ 2,895,923</u>

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.

In 2012, USMMA developed a Building Evaluation Report. In 2022 USMMA requested a re-evaluation of the 2012 report to assist with long term planning and budgeting. The reassessment report updated the DM&R information and the change in beginning balance reflects more accurate and up to date data.

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

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED) (CONT.)

that would improve fleet conditions beyond just acceptable conditions remain in budget submissions mainly for visibility purposes and to support future decisions if critical factors change and the improvements themselves become mission critical. This change resulted in zero DM&R costs for NDRF and fleet facilities.

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

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT
(UNAUDITED)

For the period ended September 30, 2023

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year Budget Authority, Net	\$2 4,412,720	\$ 11,387,866	\$ 28,643,764	\$ 2,198,244	\$ 44,833,814	\$ 111,476,408
Appropriations (Note 1W)	-	20,624,528	7,798,100	1,487,082	35,296,885	65,206,595
Borrowing Authority	-	-	-	8,069	1,741,901	1,749,970
Contract Authority	57,945,312	3,350,000	15,012,445	-	2,003,501	78,311,258
Spending Authority From Offsetting Collections	325,402	10,998,101	3,585	1,089,209	1,003,739	13,420,036
Total Budgetary Resources	\$ 82,683,434	\$ 46,360,495	\$ 51,457,894	\$ 4,782,604	\$ 84,879,840	\$ 270,164,267
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	\$ 56,690,911	\$ 34,306,978	\$ 22,017,329	\$ 2,178,765	\$ 25,913,634	\$ 141,107,617
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,646,437	9,444,480	29,004,382	2,280,260	58,289,399	103,664,958
Unapportioned, Unexpired Accounts	21,346,086	2,420,929	431,672	313,537	421,834	24,934,058
Unexpired Unobligated Balance, End of Year	25,992,523	11,865,409	29,436,054	2,593,797	58,711,233	128,599,016
Expired Unobligated Balance, End of Year	-	188,108	4,511	10,042	254,973	457,634
Unobligated Balance, End of Year	25,992,523	12,053,517	29,440,565	2,603,839	58,966,206	129,056,650
Total Budgetary Resources	\$ 82,683,434	\$ 46,360,495	\$ 51,457,894	\$ 4,782,604	\$ 84,879,840	\$ 270,164,267
OUTLAYS, NET						
Outlays, Net	\$ 48,088,283	\$ 23,824,106	\$ 23,597,692	\$ 1,049,235	\$ 14,354,980	\$ 110,914,296
Distributed Offsetting Receipts	-	(17,685)	(8,317)	(14,085)	(1,391,668)	(1,431,755)
Agency Outlays, Net	\$ 48,088,283	\$ 23,806,421	\$ 23,589,375	\$ 1,035,150	\$ 12,963,312	\$109,482,541
Disbursements, Net				\$ (150,942)	\$ 6,481,777	\$ 6,330,835

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

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, AND DISBURSEMENTS, 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

MARINE WAR RISK INSURANCE PROGRAM (UNAUDITED)

For FY 2023 and FY 2022, MARAD covered nonpremium war risk insurance with a total coverage per year of \$279 million for U.S. Department of Defense (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 2023 and FY 2022, there were no outstanding policies or obligations for the premium based war risk insurance program.

LAND (UNAUDITED)

PPE Land and Stewardship Land Estimated Acreage by Predominant Use

FY 2023	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
PPE LAND AND LAND RIGHTS				
Start of Prior Year (October 1, 2021)	11,802	-	102,198	114,000
End of Prior Year/Start of Current Year (October 1, 2022)	11,802	-	100,903	112,705
End of Current Period/Year (September 30, 2023)	11,802	-	98,101	109,903
STEWARDSHIP LAND AND LAND RIGHTS				
Start of Prior Year (October 1, 2021)	-	20	44	64
End of Prior Year/Start of Current Year (October 1, 2022)	-	20	44	64
End of Current Period/Year (September 30, 2023)	-	20	44	64
PPE LAND HELD FOR DISPOSAL OR EXCHANGE				
Start of Prior Year (October 1, 2021)	-	-	968	968
End of Prior Year/Start of Current Year (October 1, 2022)	-	-	971	971
End of Current Period/Year (September 30, 2023)	-	-	571	571

The FAA has 77,036 acres of PPE land of which 11,802 is for commercial use and 65,234 is used for operational. FAA also has 571 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 Airports 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. Title 49 CFR 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs, promulgates rules to implement the 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 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 Stewardship 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 posture 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 erected 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 NDRF 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	2019	2020	2021	2022	2023
SURFACE TRANSPORTATION					
Federal Highway Administration (FHWA)					
Federal Aid Highways (HTF)	\$ 43,223,017	\$ 46,801,719	\$ 45,965,708	\$ 48,864,197	\$ 52,276,187
Other Highway Trust Fund Programs	52,346	47,151	25,553	24,132	18,284
General Fund Programs	448	1,098	5,179	209	(66)
Appalachian Development System	168,375	34,967	118,317	23,672	45,537
Federal Motor Carrier	-	-	-	2,531	3,167
Total FHWA	43,444,186	46,884,935	46,114,757	48,914,741	52,343,109
Federal Transit Administration (FTA)					
Transit Infrastructure Grants	-	-	-	345,451	690,115
Discretionary Grants	3,482	-	-	-	-
Formula Grants	8,438	14,800	8,568	2,352	361
Capital Investment Grants	956,951	2,133,871	1,897,603	1,695,054	2,336,793
Washington Metro Area Transit Authority	159,824	178,095	130,243	157,238	150,988
Formula and Bus Grants	10,511,783	9,933,833	7,961,356	7,097,413	9,834,839
Total FTA	11,640,478	12,260,599	9,997,770	9,297,508	13,013,096
Total Surface Transportation Non-Federal Physical Property Investments	55,084,664	59,145,534	56,112,527	58,212,249	65,356,205
AIR TRANSPORTATION					
Federal Aviation Administration (FAA)					
Airport Improvement Program	3,499,162	11,300,066	8,056,478	3,784,424	3,820,693
Relief for Airports	-	-	3,169,500	4,040,373	628,141
Airport Infrastructure Grants Program	-	-	-	22,898	384,031
Airport Terminal Program	-	-	-	9,156	200,455
Total Air Transportation Non-Federal Physical Property Investments	3,499,162	11,300,066	11,225,978	7,856,851	5,033,320
Total Non-Federal Physical Property Investments	\$ 58,583,826	\$ 70,445,600	\$ 67,338,505	\$ 66,069,100	\$ 70,389,525

FHWA reimburses States for construction costs on projects related to the Federal Highway System of roads. The main programs in which the States participate are the National Highway System, Interstate Systems, Surface Transportation, and Congestion Mitigation/Air Quality Improvement programs. The States' contribution is 10 percent for the Interstate System and 20 percent for most other programs.

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 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 2024 Top Management Challenges



U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 1, 2023

Subject: INFORMATION: DOT's Fiscal Year 2024 Top Management Challenges
Report No. PT2024002

From: Eric J. Soskin
Inspector General

To: The Secretary
Deputy Secretary

As required by law, the Office of Inspector General (OIG) delivers an annual report on the top management challenges at the Department of Transportation (DOT). Our role in providing independent and objective oversight, and our mission of promoting economy, efficiency, and effectiveness and of detecting and preventing fraud, waste, and abuse, provide us with a unique perspective regarding the challenges that DOT faces. We base this report on our audit and investigative work, our knowledge of the activities and operations of DOT and its Operating Administrations (OA), independent sources such as U.S. Government Accountability Office reports, and other information available to us.

DOT's mission is to deliver the world's leading transportation system, a mission that is essential to American prosperity, global competitiveness, national security, and general welfare. In seeking to serve the American people through the safe, efficient, sustainable, and equitable movement of people and goods in a dynamic environment marked by technological and societal change, the Department must manage complex and multifaceted challenges that span its oversight of aviation, highways, transit, rail, ports, and more.

We considered several criteria to identify the Department's top management challenges for fiscal year 2024, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change. In the enclosed report, we identify and discuss the following challenge areas:

- Aviation Safety
- Surface Transportation Safety
- Air Traffic Control and Airspace Modernization
- Surface Transportation Infrastructure
- Contract and Grant Fund Stewardship

Inspector General's FY 2024 Top Management Challenges (CONT.)

- Financial Management
- Information Security
- Fraud Detection and Prevention
- Transportation Transformation
- Organizational Excellence

Further, in light of the nearly \$660 billion in funding to new and existing programs authorized through the Infrastructure Investment and Jobs Act (IIJA) to bolster our Nation's transportation infrastructure, our report discusses IIJA's impacts on each of these 10 management challenge areas.

In considering these challenges, we recognize that, as always, safety remains at the core of DOT's mission. The Federal Aviation Administration faces the ongoing challenge of strengthening its oversight of aircraft certification processes, while also addressing a series of significant safety incidents involving close calls with aircraft on runways. In addition, the Department must work diligently to reduce the number of traffic, transit, and other surface transportation fatalities. As safety incidents such as the February 2023 Norfolk Southern train derailment in East Palestine, OH, have highlighted, DOT will be challenged to identify root causes and verify and enforce highway, motor carrier, railroad, transit, pipeline, and hazardous materials safety compliance.

Alongside existing funding programs, IIJA established infrastructure programs and projects covering roads, bridges, rail, transit, ports, and electric vehicle charging stations. In all of these, DOT must focus on oversight that ensures compliance with Federal requirements and prevents fraud, waste, and abuse as IIJA progresses. At the same time, the Department is challenged with meeting a wide range of priorities and goals for surface transportation funding, such as improving mobility choices, enhancing resiliency, and accomplishing economic objectives, among others.

In addition to increased funding levels, IIJA also increased the number of grants, grant recipients, projects, programs, and requirements that DOT oversees. Prudent stewardship of contract and grant spending is contingent on DOT's awarding funds to achieve best value outcomes and verifying that they are spent appropriately. Challenges include establishing sound pricing, promoting competition, tracking funds status, validating expense eligibility, and implementing controls to prevent improper payments. Our office has also identified several high-risk fraud areas related to IIJA programs, including bid rigging, materials fraud, and disadvantaged business enterprise fraud. To proactively mitigate fraud risks, DOT must improve its oversight procedures and enhance outreach to staff, grantees, and their contractors on how to detect, prevent, and report potential fraud.

Alongside its considerable safety and stewardship challenges, DOT has also taken on the ambitious goal of transforming our transportation system to better serve Americans today and in the future. Key tasks include managing and modernizing our National

Inspector General's FY 2024 Top Management Challenges (CONT.)

Airspace System as well as resolving new and longstanding cybersecurity challenges to protect vital information systems. In addition, DOT will need to act thoughtfully to mitigate safety risks while still enabling innovation and its potential benefits to safety and progress in numerous arenas—including autonomous and electric vehicles, commercial space operations, Advanced Air Mobility aircraft, and Unmanned Aircraft Systems.

Meeting the Department's diverse goals requires a fundamental commitment to organizational excellence. To that end, DOT faces multiple wide-ranging challenges, including managing an evolving post-pandemic work environment in which staff are increasing in-person work, and securing the necessary new workforce capabilities across the OAs to implement IIJA programs. Moreover, given the vast scope of its programs and authorities, DOT must cultivate data-driven approaches for its decision-making and oversight efforts to be effective in achieving the Department's goals. For example, in organizational management, a key challenge will be the use of data to track and measure the impact of personnel policies and procedures on employee engagement, mission delivery, and outcomes.

We remain, as always, committed to supporting the Department's efforts to improve safety, enhance efficiency, and maximize resource utilization, particularly given the extent of its IIJA investments. We appreciate the Department's consideration and prompt action in response to the challenges we have identified. Our final report and the Department's response will be included in DOT's Annual Financial Report, as required by law.

If you have any questions regarding this report, please contact me or Charles A. Ward, Principal Assistant Inspector General for Auditing and Evaluation.

#

cc: DOT Audit Liaison, M-1

Inspector General's FY 2024 Top Management Challenges (CONT.)

Aviation Safety

OAs Impacted
FAA

Related DOT Strategic Goal(s)
Safety

Aviation safety remains FAA's primary mission. Overseeing the certification and safety of aircraft manufactured and operated in the United States is paramount to achieving this mission. While FAA has made changes to enhance its certification and safety oversight of U.S.-manufactured airplanes, our reviews have highlighted challenges that persist. Meanwhile, reported shortages of pilots and other aviation industry personnel and a series of close call runway incursions between aircraft highlight the need for continued vigilance and mitigation regarding other safety risks in the Nation's aviation system.

Enhance FAA's Oversight of Aircraft Certification and Production

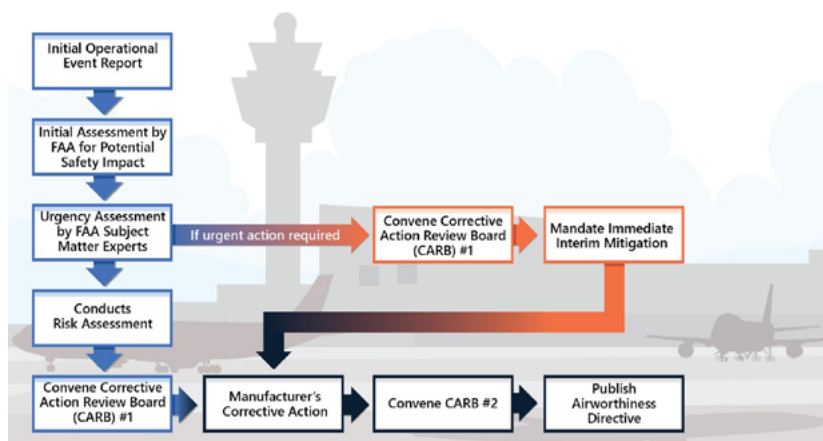
- Federal law allows FAA to delegate certain certification and production functions to organizations, such as Boeing, to determine whether their aircraft models comply with safety regulations. In several reports, we have highlighted the challenges the Agency faces in this area. For example, FAA delegated significant work to Boeing during the original certification of the Boeing 737 MAX. According to FAA managers, this delegation is typical as aircraft systems mature. Then during the recertification process to return the aircraft to service, FAA retained responsibility for approving certification of flight control software. However, FAA officials have indicated that given the resources involved, this level of effort is not possible for all aircraft certification projects.
- While FAA plans to apply lessons learned from Boeing 737 MAX recertification efforts to future projects, the Agency is still codifying improvements and procedures. In addition, we found that FAA's steps following the MAX accidents of 2018 and 2019 adhered to post-event risk assessment processes, which are designed to ensure an acceptable level of safety in every seat on every flight (*see figure on next page*). However, several issues may impact the Agency's assessments of future events, including the use of engineering judgement—which is not always accompanied by relevant numerical data—an outdated order and guidance on risk assessment, and a lack of data on quantifiable human factors. As a result, FAA may not be able to ensure it fully follows risk assessment processes after safety events.
- FAA also faces challenges overseeing Boeing aircraft production. Since 2019, for example, Boeing has paused deliveries of its 787 aircraft four times to address manufacturing issues. To enhance its oversight, FAA recently combined offices overseeing Boeing to promote better internal communication and efficiency. As Boeing increases production of 737 and 787 aircraft, FAA must keep pace with the company's growth.

IIJA Impacts

- Through the Airport Infrastructure Grant (AIG) program, IIJA provides \$15 billion for airport infrastructure projects, including those that improve aviation safety.
- Airports that receive this funding can use it to, among other things, mitigate risks at the Nation's airports by reconfiguring runway and taxiway intersections, installing runway status lights, and constructing new taxiways.
- To fund projects meant to reduce runway incursions, FAA awarded more than \$100 million to 12 airports across the country in May 2023 using multiple sources, including IIJA funds.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Steps in FAA's Continued Operational Safety Process



Source: OIG analysis of FAA's review of the Boeing 737 MAX Summary

Diagnose Root Causes To Prevent and Mitigate Runway Incursions

- Runway incursions—incidents involving unauthorized aircraft, vehicles, or people on a runway—have long been a challenge for FAA and the aviation industry. A series of incidents occurred this year in which aircraft came dangerously close to each other on runways at large commercial airports (*see figure*), including one in which two planes came within 100 feet of each other at Austin-Bergstrom International Airport in Texas.
- In response, FAA formed a safety review team to examine the U.S. aerospace system's structure, culture, processes, systems, and integration of safety efforts. The Agency also held a runway safety summit in March where aviation and labor representatives and other experts discussed the issues surrounding the increases in runway incursions and planned to hold runway safety meetings at approximately 90 airports in August and September to create airport-specific Runway Safety Action Plans.
- In addition to examining runway incursion data and assessing technology, infrastructure, and human factors as both causes and mitigations, FAA faces challenges developing mitigation strategies, establishing metrics to measure these strategies' effectiveness, and reassuring the public about the safety of the aviation system.

Runway Incursions in 2023



Source: OIG analysis of National Transportation Safety Board data

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

- After the March 2023 runway safety summit, FAA issued a Safety Alert for Operators highlighting several focus areas and the need for continued attention to safety risk mitigation.
- The Air Traffic Organization also outlined the steps it was taking to improve air traffic supervisors' and controllers' situational awareness and training and to re-examine runway incursion data.
- After years of work, FAA issued a final rule implementing Safety Management System requirements for airports meeting risk-based criteria.
- In August 2023, FAA revised its Compliance and Enforcement Program to set criteria for airmen medical certification for pilots that receive Veterans Administration disability benefits.

Related OIG Work

[FAA Has Completed 737 MAX Return to Service Efforts, but Opportunities Exist To Improve the Agency's Risk Assessments and Certification Processes](#) (April 26, 2023)

>> 7 recommendations (7 open, 0 closed)

[FAA Faces Challenges in Implementing and Measuring the Effectiveness of Its 2015 Runway Safety Call to Action Initiatives](#) (June 27, 2018)

>> 3 recommendations (0 open, 3 closed)


For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Surface Transportation Safety

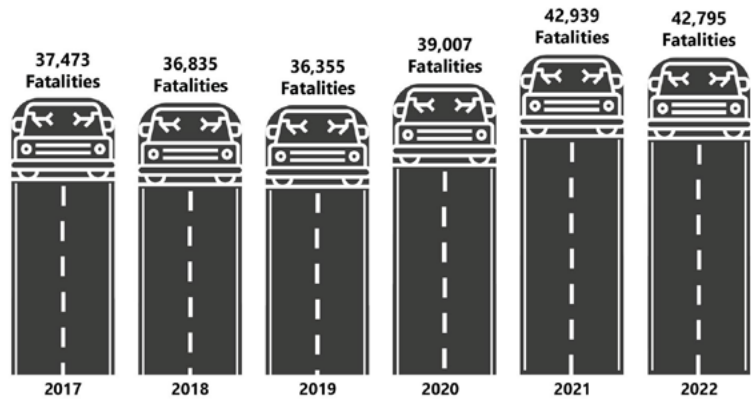
OAs Impacted
FHWA, FMCSA, FRA, NHTSA, PHMSA

Related DOT Strategic Goal(s)
Safety



DOT has committed to making the U.S. transportation system the safest in the world. However, in 2022, motor vehicle traffic incidents caused 42,795 fatalities—a 9.7 percent surge since 2020 (see figure), and public transportation fatality rates, including transit workers, increased dramatically between 2017 and 2021. Rail and hazardous materials transportation received increased attention after the February 2023 Norfolk Southern train derailment in East Palestine, OH. Challenges facing DOT include identifying root causes and implementing safety programs to reduce fatalities and verifying and enforcing railroad, transit, pipeline, and hazardous materials safety compliance.

Trends in Traffic Fatalities, 2017–2022



Source: OIG analysis of DOT data

Identify Root Causes and Implement Safety Programs To Reduce Fatalities

- In 2022, DOT announced its National Roadway Safety Strategy (NRSS) to prevent and minimize crash effects. NRSS challenges include investigating root causes, obtaining quality data, stewarding IIJA safety funding and enforcing regulations, and coordinating with stakeholders to help decision makers broadly understand the range of consequences of safety actions.
- To counter a persistent increase in pedestrian fatalities, NHTSA concurred with and must implement longstanding pedestrian safety recommendations from the Government Accountability Office, such as including pedestrian safety testing in its New Car Assessment Program and collecting and analyzing information on countermeasures. DOT should also better understand pedestrian and cyclist behaviors and their relationship to fatalities.
- To counter the significant risk presented by vehicle safety defects, NHTSA is challenged to effectively implement its manufacturer recall online portal, timely notify owners of defects, and ensure that its risk-based approach to reviewing recalls is effective.
- To address large truck and bus fatalities (see figure on next page), FMCSA's challenges include revising and implementing its Safety Measurement System; maintaining data quality on motor carriers' safety performance; and enforcing compliance with Federal regulations, including commercial driver medical certifications, license disqualifications, and timely compliance reviews.

IIJA Impacts

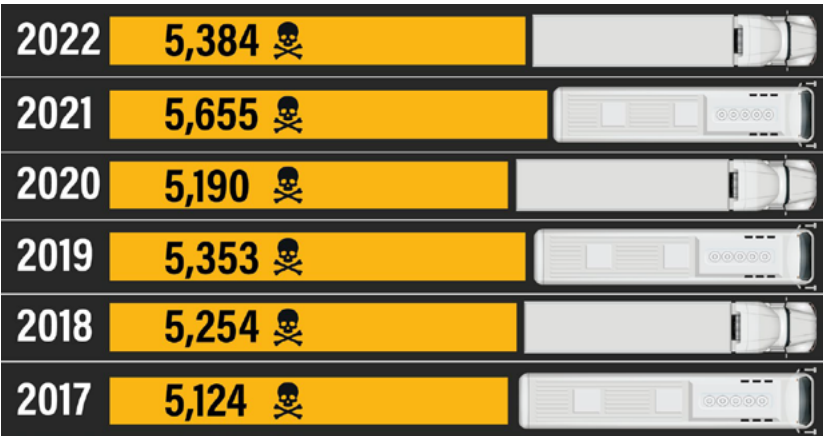
Addressing these challenges will require quality data, coordination, and oversight and stewardship of IIJA funding. IIJA provides over \$34 billion over 5 years to help reduce motor vehicle traffic and other surface transportation-related fatalities. IIJA funds the Highway Safety Improvement Program, railroad crossing safety, motor carrier safety grants, and other programs. IIJA also continued to expand Federal safety oversight over public transportation systems, and DOT must balance incident-driven oversight with data-driven, risk-based oversight activities.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Verify and Enforce Railroad, Transit, Pipeline, and Hazardous Materials Safety Compliance


- As FRA dedicates substantial resources to responding to major events like the East Palestine train derailment and hazardous materials release, it remains challenged to use data-driven, risk-based oversight to effectively address incidents and perform routine rail safety oversight functions. According to FRA, its newly created Office of Research, Data, and Innovation is supporting these efforts by developing risk-based modeling and analysis tools to focus its safety oversight on high-risk areas.
- Effective implementation of systems-based oversight—such as FRA’s System Safety Program for passenger rail operations and Risk Reduction programs for freight rail operations—relies on thorough assessments of railroad plans, collection of reliable data, and consistent evaluation of results. FRA is challenged to prepare for this substantial addition to its oversight activities by developing related procedures, data collection and storage mechanisms, and training. Additionally, FRA needs to follow through on its plans to closely monitor railroads’ implementation of these programs and conduct ongoing assessments of required performance elements.
- The Protecting Our Infrastructure of Pipelines and Enhancing Safety Act of 2020 includes several mandates for PHMSA. Completing these mandates requires that PHMSA recruit, train, and retain pipeline inspection and enforcement personnel; conduct research and evaluate innovative technologies; complete rulemaking; and take other required actions to verify industry compliance with pipeline and hazardous materials regulations. PHMSA should also adjudicate enforcement actions and maintain stewardship of IIJA funds. According to PHMSA, the Agency has made progress in the last 12 months, including publishing Notices of Proposed Rulemakings, increasing engineer staffing, and using recruitment and retention incentives.

Trends in Large Truck and Bus Fatalities, 2017–2022



Source: OIG analysis of DOT data

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



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

Recent Progress Reported by the Department

- DOT created a dashboard to track progress implementing 43 NRSS priority actions by various modes and issued a progress report on implementing NRSS.
- NHTSA updated vehicle compliance test report reviews, updated training to enforce noncompliance, and updated internal rulemaking petition procedures.
- FTA released a draft updated version of the National Public Transportation Safety Plan, including enhanced safety performance measures for transit systems, and received public comments over the ensuing 60-day period.

Related OIG Work

- [FMCSA Generally Met Requirements for Cross-Border Carriers’ Long-Haul Operations, but Compliance Reviews Were Not Timely](#) (August 2, 2023)
>> 3 recommendations (2 open, 1 closed)
- [PHMSA Established an Effective Integrated Inspections Program but Needs To Strengthen Guidelines To Mitigate Risks](#) (May 31, 2023)
>> 3 recommendations (3 open, 0 closed)
- [NHTSA Has Not Fully Established and Applied Its Risk-Based Process for Safety Defect Analysis](#) (March 6, 2019)
>> 12 recommendations (10 open, 2 closed)

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Air Traffic Control and Airspace Modernization

OAs Impacted
FAA and OST

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

As air travel demand continues to rise, the rate of flight delays and cancellations have returned and now equal or exceed pre-pandemic levels (see figure). Collecting reliable delay and cancellation data is critical to understanding and addressing limitations to the capacity and reliability of the National Airspace System (NAS) and targeting the Department's actions. FAA also needs to continue to overcome delays and challenges with implementing new technologies, including Next Generation Air Transportation System (NextGen) programs, and understand the impact of NextGen delays and diminutions on the NAS's efficiency and other program benefits.

Understand and Address the Causes of Flight Delays and Cancellations

- There are numerous potential causes of flight delays and cancellations, including weather, airline-controlled factors, and air traffic control (ATC)-related factors.
- Airline-controlled factors, such as scheduling, staffing, and mechanical issues, are among the leading causes of flight delays and cancellations. DOT's Bureau of Transportation Statistics and FAA collect data on different aspects of delays and cancellations and perform quality checks on the data. DOT's Office of Aviation Consumer Protection can draw upon this information in determining whether airlines are complying with consumer protection laws and whether DOT can take other actions to improve air travel. The Department must continue to collect data to understand the causes of delays and cancellations, including ensuring its reliability in order to identify situations that require enforcement actions.
- Among ATC-related factors, FAA has not ensured adequate controller staffing at its most critical facilities. We recently reported that 20 of 26 critical facilities were staffed below the Agency's threshold of 85 percent as of March 2022. In addition, staffing challenges at critical facilities have led to reduced air traffic operations in some circumstances. For example, Jacksonville Center experienced over 300 staffing triggers, an action taken by FAA to reduce the amount of air traffic in the affected air space due to staffing constraints, which could lead to flight delays. Pauses in air traffic controller training during the COVID-19 pandemic resulted in increases in certification times for controllers to become fully certified, underscoring a need for improved resiliency in ATC staffing and contingency planning for disruptions in the training pipeline. These staffing challenges and FAA's lack of a plan to address them limit the capacity of the NAS.

IJA Impacts

IJA appropriated \$25 billion to FAA for three programs to address aging aviation infrastructure. Funding for two of these programs—Airport Infrastructure Grants and Facilities and Equipment—can be used to acquire or sustain ATC-related facilities and equipment. The use of IJA funds to upgrade or replace aging facilities and equipment could boost the Agency's ongoing ATC and airspace modernization efforts and deliver increased benefits to airspace users.

Number of Flight Operations and Rates of Flight Delays and Cancellations, 2018–2022



Source: OIG analysis of DOT data

Inspector General’s FY 2024 Top Management Challenges (CONT.)

Recover From and Assess the Impact of Delayed and Diminished NextGen Programs on Agency Costs and Benefits for Airspace Users

- In response to the FAA Reauthorization Act of 2018, FAA reported in December 2021 that it was on track to have all major NextGen systems in place by 2025 and to deliver \$100 billion in benefits to airspace users by 2030. But implementation challenges, cost overruns, program changes, and pandemic related restrictions have resulted in delayed and curtailed programs (see table).
- For example, many benefits are expected from deployment of the Terminal Flight Data Manager (TFDM)—an automation tool for controllers to move aircraft between airport gates and runways more efficiently. However, according to FAA, due in part to pandemic-related challenges, FAA has reduced the total number of deployment sites and delayed TFDM’s full deployment until 2030, which will delay planned benefits for airspace users.
- Technical problems, delays, and unanticipated changes to NextGen programs and other systems have challenged the resilience of NAS operations and increased sustainment costs for FAA. For example, an outage in FAA’s Notice to Air Missions (NOTAM) system, which combines a newer system with a 20-year old system, caused a nationwide ground stop and thousands of flight delays. In addition, in 2018, FAA terminated its NAS Voice System program, which aimed to update aging voice switches to a voice-over internet protocol system. This termination, after roughly \$160 million was spent, led to FAA’s need for \$274 million to sustain its aging voice switches through 2030.

Recent Progress Reported by the Department

- **Controller Staffing.** FAA recently completed a comprehensive review of controller distribution and included it in the 2023 Controller Workforce Plan submitted to Congress in May 2023.
- **NextGen.** Although delayed, FAA has begun deployment of the first TFDM software build at air traffic control towers, including Cleveland, Indianapolis, Phoenix, Raleigh-Durham, and Columbus. FAA has scheduled one more tower to begin initial operations this calendar year in Las Vegas.
- **Other.** In 2023, FAA has continued to expand its Weather Camera Program beyond Alaska with FAA-owned cameras in Hawaii and partner cameras in the 48 contiguous States.

Most Delayed or Overbudget Current NextGen Programs


Program	Current Cost (\$M)	Schedule Delay (months)	Change in Cost (\$M)
Automatic Dependent Surveillance-Broadcast	\$3,431	0	+\$58
Data Communications (Segment 1)	\$2,029	>28	+\$49
En Route Automation Modernization	\$605	33	-\$81
Terminal Flight Data Manager	\$869	20	+\$74
Time-Based Flow Management	\$335	15	+\$32

Source: FAA’s Report on Air Traffic Modernization (NextGen), 2021. Some programs include multiple segments or phases. Current cost includes changes in program costs due to rescoping of segments within the programs.

Related OIG Work

- [FAA Faces Controller Staffing Challenges as Air Traffic Operations Return to Pre-Pandemic Levels at Critical Facilities](#) (June 21, 2023)
>> 2 recommendations (2 open, 0 closed)
- [Changes in Requirements and Schedule Delays Contributed to the Termination of the NAS Voice System Contract](#) (January 12, 2022)
>> 1 recommendation (0 open, 1 closed)
- [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)


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

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)



Surface Transportation Infrastructure

OAs Impacted
FHWA, FTA,
FRA, MARAD

Related DOT Strategic Goal(s)
Transformation, Economic Strength and
Global Competitiveness, and Equity

DOT faces a dynamic surface transportation infrastructure environment with a proliferation of projects and new programs covering roads, bridges, rail, transit, ports, and energy systems. The complexity includes new technologies in each transportation mode, changes in user behavior, and evolutions in policy goals—with likely tradeoffs among priorities such as safety, climate, equity, competition, and prosperity. As a result, surface transportation agencies face challenges acting as stewards of Federal investments while achieving their missions; supporting oversight that ensures compliance with Federal requirements and prevents fraud, waste, and abuse; and advancing the wide range of objectives for surface transportation funding.

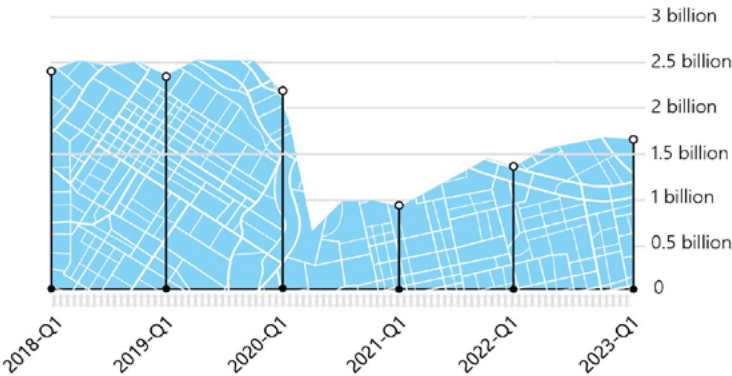
Steward Surface Transportation Investments in a Changing Environment

- The Department is implementing a diverse portfolio of IIJA-funded nationwide infrastructure projects, along with a priority to provide broad access to new and existing programs. Sustained Agency stewardship—which should encompass sound planning, management, and administration of resources—is critical to ensure optimal outcomes.
- Issues that impact State and local agencies—including uncertain construction costs, workforce shortages, climate-related resiliency, and changes in user behaviors— increase risks to DOT’s stewardship. For example, transit ridership through early 2023 had not returned to pre-pandemic levels (*see figure*). As COVID-19 relief funding—used for large public transit agencies’ operating costs—ends, agencies with budgetary shortfalls related to ridership and cost structure could find it more difficult to maintain their assets in a state of good repair—an FTA priority.
- DOT must also implement changes to existing surface transportation programs and requirements to meet new challenges. For example, Federal-aid highways programs were expanded to include new cost category eligibilities, such as the \$5 billion National Electric Vehicle Infrastructure program. FHWA will need to ensure that its stewardship policies and procedures incorporate effective means of overseeing these funds.

IIJA Impacts

Through August 27, 2023, about \$208 billion in IIJA funding has been made available to several surface transportation OAs (FHWA, FTA, FRA, MARAD, and OST). Of this amount, about \$117 billion has been obligated and about \$49 billion disbursed (*see table on next page*).

Quarterly Transit Ridership, 2018–2023



Note: Data is for unlinked passenger trips, defined as the number of passengers who board public transportation vehicles. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

Source: OIG analysis of American Public Transportation Association data

Inspector General's FY 2024 Top Management Challenges (CONT.)

IIJA Funding Through August 27, 2023, by Operating Administration (Dollars in Millions)

DOT Agency	IIJA Adjusted Budget Authority	IIJA Obligations	IIJA Disbursements
Federal Highway Administration	\$121,006	\$87,824	\$38,734
Federal Transit Administration	\$43,480	\$14,503	\$4,498
Federal Railroad Administration	\$33,146	\$14,034	\$5,937
Maritime Administration	\$925	\$12	\$4
Office of the Secretary of Transportation	\$9,694	\$243	\$51
Total	\$208,252	\$116,616	\$49,224

Source: OIG analysis of DOT-provided information through August 27, 2023, for FHWA, FTA, FRA, MARAD, and OST. Budget authority amounts reflect adjustments and transfers. Amounts include IIJA-authorized appropriations. All numbers are rounded.

Support Effective Funding Oversight as IIJA Progresses

- As IIJA enters its third year and DOT disburses more of the act's surface infrastructure funding, agencies need to continue to support robust funding oversight to ensure compliance with Federal requirements and prevent fraud, waste, and abuse, in part by addressing oversight weaknesses. For example, FHWA could strengthen its oversight role and guidance to help mitigate potential exposure to risks related to change orders on Federal aid projects. MARAD has yet to address our 2015 recommendation to update its existing policies and procedures for employees' use in administering and overseeing its programs. Similarly, FRA—which has begun obligating IIJA funds to Amtrak—has not yet addressed key recommendations to improve its oversight of Amtrak's use of Federal funding.
- As agencies transition from maximum telework back to on-scene oversight work, OAs need to assess whether the virtual processes adopted during the pandemic fulfill their oversight objectives.
- The Department will also need to provide effective oversight of remaining COVID-19 relief funds, as well as other funding provided during the last few years. For example, we recommended that FTA address COVID-19 relief funding control activities for risk areas it identified, including risks of fraud or abuse, and the limited capacity of the Agency's oversight contracts.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Advance a Range of Surface Transportation Priorities and Goals

- DOT has committed to a wide range of priorities and goals related to surface transportation, including strengthening American leadership in clean cars and trucks, improving mobility choices, modernizing transportation infrastructure, addressing climate change, advancing equity in its transportation investments, and accomplishing economic objectives.
- Implementation of these priorities may involve tradeoffs as stakeholders address surface transportation infrastructure goals. For example, preferences for how to secure certain supply chains or to contribute to American economic leadership may have unintended outcomes, such as higher costs. Because the challenges of these objectives are immense, the Department must find ways to evaluate tradeoffs and balance priorities and goals that maximize efficiency and achieve long-term effectiveness.
- DOT is also committed to achieving transparency. To meet this goal, DOT surface agencies need to provide reliable, timely, and accessible data on program implementation, funding use, and progress toward meeting priorities and goals. However, the Department faces challenges. For example, we found weaknesses in FTA's tracking and reporting of Hurricane Sandy funds through the end of 2020. These weaknesses reduced transparency for internal users, decision makers, and the public into FTA's use of the funds.

Recent Progress Reported by the Department

- **FHWA IIJA Guidance.** To help support State DOTs as they implement IIJA, FHWA identified 22 areas for which guidance is needed and has issued guidance for 18 areas to date.
- **FTA Oversight of Sandy Recipients' Compliance With Insurance Requirements.** FTA took action to discuss with its recipients and track the status of all Hurricane Sandy-related projects (whether funded with grant funds or with insurance).


Related OIG Work

[FHWA Has Made Progress Implementing a Tunnel Safety Program, but Work Remains To Complete a Reliable Inventory, Fully Assess Compliance, and Effectively Monitor Critical Risks](#) (January 17, 2023)
>> 12 recommendations (12 open, 0 closed)

[FTA Made Progress in Providing Hurricane Sandy Funds, but Weaknesses in Tracking and Reporting Reduce Transparency Into Their Use](#) (July 21, 2021)
>> 2 recommendations (1 open, 1 closed)

[Fully Implementing a Grants Management Framework Will Enhance FRA's Amtrak Funding Oversight](#) (June 30, 2021)
>> 4 recommendations (2 open, 2 closed)

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



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

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 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

DOT annually obligates billions of dollars in contracts and grants across all modes of transportation. In fiscal year 2022, DOT's contract and grant obligations totaled \$128.9 billion—a 73 percent increase from fiscal year 2019 before the Department received any COVID-19 relief and IIJA appropriations (see figure on next page). Prudent stewardship is contingent on DOT's awarding funds to achieve best value outcomes and verifying that they are spent appropriately—including establishing sound pricing, promoting competition, tracking funds status, and validating expense eligibility.

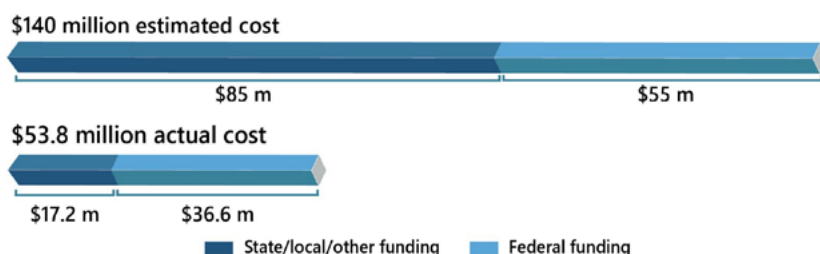
Award Contract and Grant Funds To Achieve Best Value Outcomes

- Best value outcomes result in timely, cost-effective products and services provided at the quality expected. To achieve such outcomes, DOT must establish sound pricing and use competition to the extent practical when awarding contracts and grant funds. These methods involve developing reasonable cost estimates, conducting price analysis, considering past performance, and rationally justifying noncompetitive actions. However, we have identified deficiencies in these areas, putting billions in contract and grant funds at risk.
- Both unreasonably low and high estimates can create problems. For example, in 2016, OST approved a grant application with a poorly supported \$140 million railroad safety project cost estimate. Less than 5 years later, the project ended up costing just \$53.8 million—62 percent less than the estimate (see figure). The significantly lower actual costs resulted in millions of unnecessarily held funds that could have been used for other Agency needs.
- The challenges in awarding contract and grant funds are compounded by a push for incorporating new technologies and requirements to maximize use of goods, products, and materials produced and services offered in the United States—which can create uncertainty in labor and product price and supply. This uncertainty can reduce numbers of bidders, hinder cost estimation accuracy, and delay project completion. If these risks are not mitigated, the value to taxpayers from Department funds may be diminished.

IIJA Impacts

DOT's implementation of IIJA magnifies its stewardship challenges. IIJA not only increased DOT funding levels significantly, but also increased the numbers of recipients, projects, programs, and requirements that DOT oversees. For example, IIJA funded 15 new discretionary DOT grant programs. Additionally, our prior work and GAO recommendations indicate DOT needs to improve transparency and communication of award decisions as part of its grant fund stewardship responsibilities. The Department's focus on these challenges is crucial to delivering projects that represent value to the taxpayer while supporting the safety and efficiency of our Nation's transportation systems.

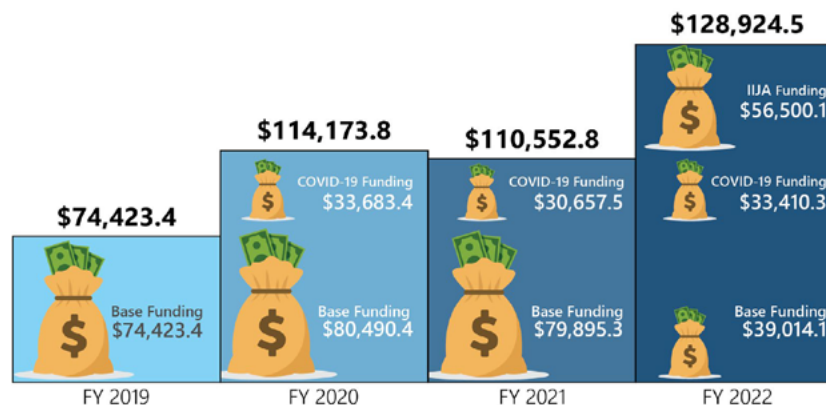
DOT Grantee's Railroad Safety Project Estimated Cost Versus Actual Cost



Source: OIG analysis of the grant application narrative and project's final invoice payment

Inspector General's FY 2024 Top Management Challenges (CONT.)

DOT Contract and Grant Obligations per Fiscal Year, FYs 2019–2022 (in Millions)



Source: OIG analysis of DOT data

Verify Efficient and Appropriate Use of Contract and Grant Funds

- As a steward of Federal funds, DOT is responsible for verifying that awardees and recipients use funds appropriately. Such verification includes tracking of fund status, timely deobligation of unused funds, and validation of compliance with funding terms and expense eligibility prior to payment. However, our recent reports have pinpointed weaknesses in DOT's contractor and grantee oversight, resulting in millions of lapsed and inactive funds, unsupported costs, questioned costs, and improper payments.
- The Federal Government declared the end of the COVID-19 emergency on May 11, 2023. As of May 31, 2023, about \$17.8 billion in DOT-awarded COVID-19 grant funds remained unspent—despite guidance from certain OAs to recipients to use funds expeditiously. DOT needs to monitor unspent funds to verify eligibility if expended and identify unneeded funds for timely deobligation.
- Key to tackling this challenge is DOT's ability to secure and train resources to oversee funds and provide clear direction to contractors and grantees on funding terms and conditions—such as Made in America requirements. While DOT has begun taking action in these areas, challenges remain given the Department's expansive contract and grant fund realm.
- Audits of non-Federal entities that receive Federal financial assistance pursuant to the Single Audit Act help verify the proper use of grant funds. New recipients of Federal funding for pandemic relief and infrastructure projects may be unfamiliar with Single Audit Act requirements and overlook the critical oversight requirement to obtain single audits.

Recent Progress Reported by the Department

- The Department has established a new Office of Grants and Financial Assistance that will focus on strengthening grant stewardship. It will provide guidance on interpreting and applying policies and regulations and establish a training and certification program for grant program employees.
- DOT has established a Project Delivery Center of Excellence at the Volpe National Transportation Systems Center to facilitate on-time, on-task, and on-budget delivery of DOT grantee projects. To achieve these outcomes, the Center will need to deliver actionable information to grantees and persuade grantees and stakeholders to use the information in project delivery.

Related OIG Work

[DOT's Oversight Is Not Sufficient To Ensure the City of Seattle Meets Requirements for Managing Federal Transportation Funds](#) (February 1, 2023)

>> 14 recommendations (10 open, 4 closed)

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

>> 7 recommendations (0 open, 7 closed)

[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 open, 2 closed)

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



Carolyn J. Hicks
Assistant Inspector General for Acquisition and Procurement Audits
(202) 306-1513 | carolyn.hicks@oig.dot.gov

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Financial Management

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Economic Strength and Global Competitiveness

For fiscal year 2023, DOT's budgetary resources included approximately \$248 billion for departmental programs and operations, including COVID-19 relief and IIJA funding. Because these funds remain significantly more than DOT's annual pre-pandemic, pre-IIJA resources, the risk for improper payments associated with these funds is high, and the Department should remain vigilant in its oversight. Effective controls to mitigate the risk of improper payments and robust policies for grant fund award and oversight are vital for ensuring consistency in operations and safeguarding assets.

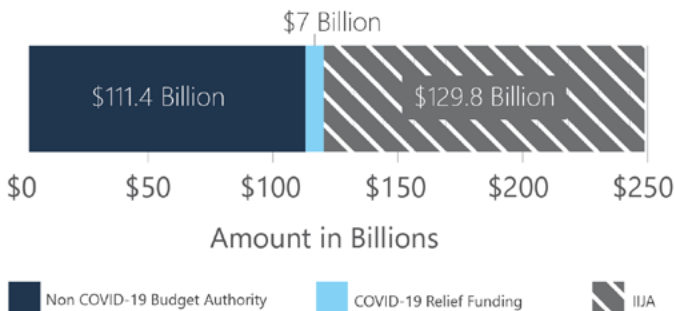
Reduce the Occurrence of Improper Payments

- Internal controls to detect and prevent improper payments help ensure that grantees meet Federal requirements, achieve program objectives, and better ensure payments are accurate. 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 assess risk of improper payment occurrence and develop plans to prevent improper payments.
- While we recently reported that DOT complied with PIIA for fiscal year 2022, the Department's testing of two programs susceptible to significant improper payments—with total expenditures over \$61.6 billion—resulted in an estimate of about \$756 million in improper payments. Moreover, one program—FHWA's Highway Planning and Construction Program—was estimated to have \$548.95 million or 1.13 percent in improper payments and did not meet its target of reducing improper payments to 1 percent.
- As expected, the growth in disbursements and numbers of transactions related to IIJA and COVID-19 relief have increased DOT programs' susceptibility to improper payments, presenting additional oversight challenges. For example, for fiscal year 2022, DOT reviewed FTA's Transit Infrastructure Grants COVID Relief Funds Program and estimated a total of \$206.6 million or 1.57 percent in improper payments for the program.

IIJA Impacts

IIJA authorized and appropriated hundreds of billions in funding for DOT programs for fiscal years 2022 through 2026. To comply with Office of Management and Budget (OMB) requirements for improvements in payment integrity, and as part of its fiscal year 2023 improper payment reporting cycle, the Department intends to conduct improper payment risk assessments for most programs, and major changes in programs funded by IIJA should be particular focus areas. It is imperative that DOT position itself for the challenges associated with IIJA funding, including susceptibility to improper payments.

DOT Budget Authority for FY 2023



Notes: 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, 2022, and June 30, 2023 (unaudited)

Inspector General's FY 2024 Top Management Challenges (CONT.)

Improve Compliance With Federal Requirements for Monitoring and Reporting on Grantee Spending

- DOT has faced challenges in ensuring its grantees are effectively tracing how and where Federal funds are spent as required. This impacts the Department's ability to monitor that grant funds are used appropriately. For example, we reported that DOT's oversight did not ensure that Seattle, WA, met requirements for properly tracing Federal grant funds it received from FHWA, FRA, and FTA. As a result, we could not fully determine how Seattle used its Federal grant and cooperative agreement awards.
- In addition, the Do Not Pay (DNP) initiative requires Government agencies to verify recipients' eligibility to receive payments in the U.S. Department of the Treasury's Working System databases as appropriate before the release of Federal funds. However, we recently reported that DOT is not using the DNP portal as required, increasing the risk of making payments to ineligible recipients.
- Another recent report found FAA did not comply with Federal standards for internal controls when overseeing noise compatibility land acquired with Federal grants by airports, resulting in questionable reimbursements.
- OMB's Uniform Guidance requires agencies to follow up on single audit findings and verify the appropriateness of grantees' actions to resolve them. However, DOT faces challenges determining the allowability of millions of dollars in questioned costs in a timely manner and ensuring grantees are resolving findings timely, given that numerous repeat findings are identified in audit reports that grantees submit to the Federal Audit Clearinghouse. DOT must also ensure that recovery actions are taken when appropriate.

Improve Quality of Financial Data

- The Data Accountability and Transparency (DATA) Act establishes standards for financial data and requires agencies to submit accurate, searchable data on grantee spending for decision makers and the public. In fiscal year 2023, an independent public accounting (IPA) firm, under contract to OIG, reviewed DOT's actions to implement recommendations from prior-year DATA Act audits. The IPA found that while DOT designed controls to address some of the recommendations, the controls were not implemented or operating effectively. As a result, the IPA determined three of the four recommendations should remain open. As it continues to disburse funds, DOT will be challenged to successfully implement corrective actions on the open recommendations to improve their data quality procedures for DATA Act reporting.
- As part of a recent OIG audit, Treasury's Bureau of Fiscal Services analyzed DOT's fiscal year 2021 payment files and identified data quality challenges that may impact DOT's ability to effectively determine recipient eligibility for payments. Their analysis found more than 40,000 DOT payments, totaling \$24.4 billion, that had payee identification numbers in incompatible formats, preventing checking of recipient eligibility. Further, since payments with incompatible identification numbers cannot be matched to taxpayer identification information in the Treasury Working System databases, ineligible recipients cannot be identified either.

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



Dormayne Dillard-Christian
Assistant Inspector General for Financial Audits
(202) 366-5630 | Dormayne.Dillard-Christian@oig.dot.gov

Recent Progress Reported by the Department

- During the past 3 fiscal years, the Department has recovered over 90 percent of the improper payments identified.
- The Department is working to reduce the backlog of open recommendations related to single audits and has submitted acceptable documentation to close 22 recommendations worth a total of \$4.3 million.
- The Department plans to establish an Office of Grants and Financial Assistance to strengthen the management and stewardship of financial assistance, grants, and agreement programs.

Related OIG Work

[DOT's Fiscal Year 2022 Payment Integrity Information Act Compliance Review](#)
(May 22, 2023)
>> No recommendations

[Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2023](#)
(May 3, 2023)
>> 2 recommendations (1 open, 1 closed)

[FAA Can Strengthen Its Oversight of the AIP Acquired Noise Compatibility Land Program](#)
(February 28, 2023)
>> 9 recommendations (9 open, 0 closed)

[DOT's Oversight Is Not Sufficient To Ensure the City of Seattle Meets Requirements for Managing Federal Transportation Funds](#) (February 1, 2023)
>> 14 recommendations (10 open, 4 closed)

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Information Security

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Safety, Transformation,
Organizational Excellence

DOT continues to face longstanding challenges mitigating weaknesses in its cybersecurity program and securing its over 400 information technology (IT) systems. We have identified numerous weaknesses that may allow attackers to gain control of certain systems, launch denial-of-service attacks, or gain access to mission-critical systems and sensitive data. As it works to mitigate these weaknesses, DOT must also implement new and existing Federal information security requirements and priorities, including moving towards a zero trust architecture.

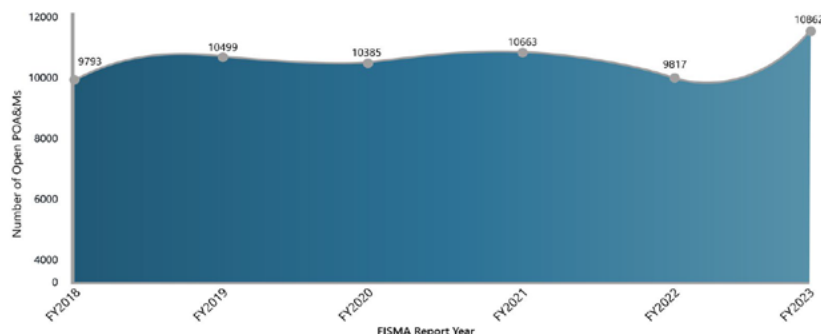
Overcome Obstacles To Mitigate Longstanding Weaknesses in DOT's Cybersecurity Program

- In our 2023 review of DOT's compliance with the Federal Information Security Modernization Act (FISMA), we found that the Agency's information systems continue to face high-risk security vulnerabilities, including outdated security patches, faulty configuration settings, and unsupported software that place the Department's systems at risk for compromise. DOT must mitigate its cybersecurity weaknesses—including cloud-based systems' security weaknesses—while also addressing new information security requirements. These new requirements may compete with other priorities to improve its security posture and implement our recommendations.
- DOT also continues to face challenges addressing the root causes of recurring security weaknesses, due in part to incomplete adherence to plans of action and milestones (POA&M) and management processes. As of June 30, 2023, we found 10,862 open security weaknesses in POA&Ms (*see figure*)—an increase of 1,045 (over 10 percent) from 2022. DOT also needs to implement our recommendation to develop a comprehensive strategy and resolve 61 open recommendations from FISMA audits.
- We recently reported that DOT faces challenges in its identification of high-value assets (HVA)—information systems to which unauthorized access could significantly impact U.S. national security—and addressing shortcomings in its assessment and remediation process for HVAs.
- DOT must address its information security weaknesses to avoid more incidents like the one in May 2023 in which a system used to process transit benefits for 237,000 employees was breached.

IJA Impacts

- IJA provides nearly \$2 billion for States' and other Federal agencies' cybersecurity resiliency and innovation but does not provide funding for DOT's cybersecurity improvements. We previously recommended that DOT develop a multiyear strategy and approach—complete with objective milestones and resource commitments—to implement corrective actions that address longstanding weaknesses and ensure an effective information security program.
- Implementing the above recommendation will help the Department prioritize weaknesses and calculate resources necessary to resolve recurring cybersecurity issues while also determining whether IJA funds can be used to address cybersecurity and new zero trust requirements.

Number of Open POA&Ms Departmentwide Since FY 2018



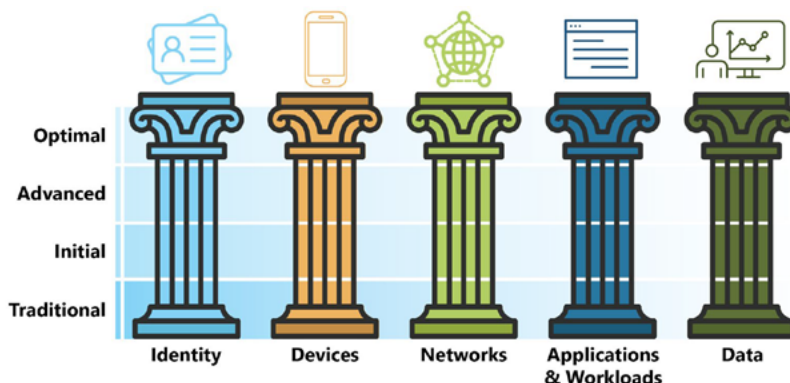
Source: OIG analysis of DOT data

Inspector General's FY 2024 Top Management Challenges (CONT.)

Execute Federal Priorities To Move Towards a Zero Trust Architecture

- The Office of Management and Budget (OMB) requires agencies to achieve zero trust security goals for identity, devices, networks, applications, workloads, and data (see figure) by the end of fiscal year 2024. However, DOT faces challenges establishing multi-factor identity authentication (MFA) and data encryption—key elements of a zero trust architecture.
- DOT has not yet enabled 72 information systems to use required personal identity verification (PIV) cards for MFA logins, and consequently, these systems are susceptible to attack. DOT has also not enforced PIV authentication for 35 PIV-enabled systems. Furthermore, DOT did not meet its 2022 deadline to encrypt personally identifiable information (PII) and has not fully implemented controls to prevent PII exfiltration.
- DOT must report an accurate inventory of IT hardware assets to OMB, but we have found significant inaccuracies in this inventory. Additionally, DOT has identified 2,895 positions that need to be filled to address cyber skill shortages. Employee skills are part of DOT's zero trust architecture strategy. In response to our cloud security report, DOT plans to update its zero trust architecture strategy and implementation plan by December 30, 2024.

Pillars of the Zero Trust Maturity Model



Source: DHS CISA Zero Trust Maturity Model, version 2.0, April 2023

Recent Progress Reported by the Department

DOT states that its cybersecurity initiatives include enhancements and investments in cybersecurity capabilities, including funding for:

- upgrades to network and information technology infrastructure,
- improvements of identity management and authentication capabilities,
- data security,
- expansion of cybersecurity and privacy risk management capabilities,
- integration of zero trust architecture implementation, and
- upgrades to FAA's security operations capabilities.

Related OIG Work

[FISMA 2023—Quality Control Review of the Independent Auditor's Report on the Assessment of DOT's Information Security Program and Practices](#) (September 27, 2023)

>> 2 recommendations (2 open, 0 closed)

[DOT's Cloud-Based System's Security Weaknesses Hinder Its Transition to a Zero Trust Architecture](#) (August 30, 2023)

>> 21 recommendations (21 open, 0 closed)

[DOT Needs To Improve Its High-Value Assets Governance Program To Effectively Identify, Prioritize, and Secure Its Most Critical Systems](#) (October 30, 2023)

>> 7 recommendations (7 open, 0 closed)

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



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

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)




Fraud Prevention and Detection

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Economic Strength and Global Competitiveness, Equity, Organizational Excellence

Proactively identifying and preventing fraud, waste, and abuse is vital to ensuring that the billions of taxpayer dollars directed to our Nation's transportation system are used appropriately. However, DOT faces challenges identifying and assessing fraud in high-risk areas such as bid rigging, Disadvantaged Business Enterprise (DBE) fraud, domestic content, and materials fraud. The Department must also take steps to proactively manage fraud risks, including improvement of oversight procedures and outreach efforts to enhance understanding among staff, grantees, and their contractors on how to detect, prevent, and report potential fraud.



DID YOU KNOW?

Bid rigging and collusion occur between two or more firms to affect the award and/or the pricing of projects.

Selected Red Flag Indicators of Bid Rigging and Collusion

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

Source: OIG analysis

Identify and Assess Fraud Risks

We have identified high-risk fraud areas that present detection challenges for DOT, such as:

- *Collusion among contractors such as bid rigging, efforts to influence pricing on project bids, and price fixing.* For example, a North Carolina engineering firm executive was recently sentenced to 18 months of incarceration for conspiring to rig bids and submit false certifications of non-collusion for more than 300 projects. The executive instructed a co-conspirator to submit non-competitive bids to North Carolina DOT and to hide the bid rigging and fraud by varying the amounts of the submitted inflated bids.
- *Market allocation schemes that include attempts to forge agreements on non-competition for specific territories.* For example, a former president of a Montana paving and asphalt company was sentenced to 3 years of probation and other punishments after attempting to monopolize the market for highway crack-sealing services in Montana and Wyoming. The defendant pleaded guilty to a violation of section 2 of the Sherman Antitrust Act after being the first defendant charged under the section in over 50 years.

IJA Impacts

The volume and speed at which IJA funds are disbursed puts these funds at a high risk for fraud, waste, and abuse. In addition, IJA mandates that at least 10 percent of funds should be paid to small businesses owned and controlled by socially and economically disadvantaged individuals. Over the last 5 years, we have investigated 83 allegations of DBE fraud, resulting in over \$21.8 million in forfeitures, \$10.7 million in recoveries, \$6.7 million in restitution, \$932,000 in fines, and 15.7 years of incarceration. Strong oversight is needed to ensure that DBEs are actually owned and controlled by disadvantaged persons, that they perform the work rather than act as front companies for ineligible firms, and that their business size meets program standards.


Inspector General's FY 2024 Top Management Challenges (CONT.)

Identify and Assess Fraud Risks (Continued)

• *Materials fraud involving the delivery of products that are substandard or that fail to comply with domestic content requirements.* For example, a Massachusetts construction company agreed to pay \$1 million to resolve allegations that it violated the False Claims Act in connection with the origin of railroad ballast and dirt imported for an FHWA-funded highway project.

Manage Fraud Risks Through Oversight, Outreach, and Data Analysis

- A key challenge in safeguarding IIJA funds is conducting outreach to OAs, State DOTs, and grantees. Such outreach helps ensure that those responsible for fund oversight are aware of indicators of possible fraud (*see figures*). Outreach efforts can also help DOT acquire data for analyses to better identify fraud. Such data may also help DOT identify patterns to target high-risk areas for investigation and audit.
- Our Office of Investigations also conducts outreach to increase awareness on how to recognize and report suspected fraud. However, this outreach does not typically reach the contractors who actually perform the work. Consequently, DOT and its grantees must inform contractors of their responsibilities for preventing, detecting, and reporting fraud. In particular, prime contractors play essential roles in obtaining DBE and other subcontractor participation, monitoring change orders, maintaining records, ensuring that DBEs engage in useful functions, and other activities that may result in fraud detection.
- Further, DOT should enhance its fraud risk management processes by improving processes for identifying and assessing programs' fraud risks. As we recently reported, by fully incorporating leading practices developed by the Government Accountability Office (GAO) into its fraud risk assessment processes, DOT can better identify, assess, and prioritize resources to address risks of fraud, waste, and abuse. It is also important for DOT and grant recipients to reinvigorate onsite fraud protection efforts as part of their post-pandemic return to in-person work activities.



DID YOU KNOW?


Over the last 5 years, OIG has investigated 83 allegations of DBE fraud, resulting in over \$21 million in forfeitures

Selected Red Flag Indicators of DBE Fraud

- Employees shuffling back and forth between prime contractor and DBE payrolls
- Financial agreements between prime contractor and DBE
- Prime contractor always uses the same DBE
- Joint bank accounts between prime contractor and DBE
- Orders and payment for necessary supplies made by individuals not employed by DBE
- Prime contractor facilitated purchase of DBE
- 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

Source: OIG analysis

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



Susan Ocampo
Deputy Assistant Inspector General for Investigations
(202)-366-1415 | Susan.Ocampo@oig.dot.gov

Recent Progress Reported by the Department

- To mitigate fraud risk associated with IIJA funding and programs, DOT reports it is leveraging lessons learned from prior tranches of supplemental funding, completed program and process-level fraud assessments, and analysis of recent fraud cases.
- In response to our recent report, DOT is planning to enhance the fraud risk assessment process and template to incorporate additional leading practices from GAO's framework.

Related OIG Work

- [DOT Should Enhance Its Fraud Risk Assessment Processes for IIJA-Funded Surface Transportation Programs](#) (June 20, 2023)
>> 2 recommendations (2 open, 0 closed)
- [Ohio Construction Company Owners Sentenced for Pavement-Striping Fraud Scheme](#) (April 6, 2023)
- [Two Companies Agree to Pay \\$1.2 Million to Resolve DBE Fraud Allegations](#) (April 5, 2023)

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)



Transportation Transformation

OAs Impacted
FAA, FHWA, NHTSA,
OST

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

DOT adopted the strategic goal of transformation to design for the future and invest in research and innovation to meet present challenges, modernize the transportation system in ways that advance DOT's mission, and serve Americans today and in the future. In this role, coupled with its safety role, DOT faces considerable challenges. These include advancing DOT's innovation principles; ensuring safe integration of automated driving systems; implementing the national electric vehicle (EV) program; and safely integrating commercial space operations, Advanced Air Mobility (AAM) aircraft, and Unmanned Aircraft Systems (UAS) into the National Airspace System (NAS).

Advance Safety and Other DOT Missions Through the Innovation Principles

- New technologies are poised to affect every sector of the U.S. transportation system and shape America's future economic prosperity, industry competitiveness, national security, and safety. DOT will need to act thoughtfully to mitigate safety risks while still enabling innovation and its potential benefits to safety and prosperity. DOT announced six innovation principles in 2022 to support transformation as one of DOT's strategic goals:
 - Serving key public policy priorities,
 - Helping America win the 21st century,
 - Supporting workers,
 - Overcoming risk-aversion to allow for experimentation and learn from setbacks,
 - Collaborating with the private and academic sectors, and
 - Allowing for flexibility and adaptation.
- To advance these principles, DOT needs to cultivate coordination between Federal, State, and local governments and private companies in both traditional and new transportation endeavors. For example, pursuant to IIJA, DOT and the Department of Energy (DOE) established the Joint Office of Energy and Transportation with the initial tasks of planning and developing a nationwide network of 500,000 EV chargers and other zero-emission refueling infrastructure, as well as convening an EV working group incorporating expertise from multiple categories of stakeholders. DOT is also establishing a Transforming Transportation Advisory Committee to provide the Secretary advice and recommendations about needs, objectives, plans, and approaches for transportation innovation.
- DOT will also be challenged to advance safety, competition, innovation, and other priorities across transportation modes. For example, the launch of higher-speed rail service between southern Florida and Orlando heralds the next step in passenger rail technology, and FRA's recent award of grant funding for the improvement of 21 grade crossings along the route underscores the concomitant safety challenges, as does FRA's recent grant awards for law enforcement along the route to prevent trespassing along the railroad right of way.
- Meanwhile, the Department's Research, Development, & Technology Strategic Plan and the launch of the new Advanced Research Projects Agency-Infrastructure (ARPA-I) pursuant to IIJA highlight the continuing and expected impact of technological change on every mode of transportation and that the challenges posed span DOT priorities such as safety, competition, climate, American leadership, and equity.

IIJA Impacts

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

For example, IIJA has provided \$100 million annually for the Strengthening Mobility and Revolutionizing Transportation (SMART) discretionary grants, which allow eligible public sector agencies to conduct demonstration projects focused on advanced smart community technologies and systems to improve transportation efficiency and safety (*see figure on next page*). In 2023, \$94 million in grant awards were provided for 59 projects across 33 States.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Automated Driving Systems for the Future



Source: [DOT/Smart Grant Program](#)

Safely Advance Emerging and Innovative Vehicle Technologies

DOT faces a number of challenges in the rapidly evolving areas of vehicle innovation, including automation and electrification.

- In vehicle automation, a key DOT challenge is to identify ways in which automation can advance overall safety and other DOT priorities, while limiting unintended negative safety impacts. This includes comprehensively identifying data collection needs and seeking access to the required information to support credible analyses of safety impacts of automation integration. The Department faces challenges in developing standards, testing new tools, and assessing impacts of new technologies and managing the public's understanding of the relationship between such technologies and DOT priorities.
- DOT needs to collaborate with industry and other stakeholders to evaluate connected vehicle applications to enhance safety and transportation system performance (e.g., enhanced mobility) while also addressing deployment and maintenance costs, security, and privacy challenges, along with potential public trust and acceptance challenges.
- IIJA established a national EV program, including a \$5 billion National Electric Vehicle Infrastructure (NEVI) Formula Program to help States create a network of EV charging stations. As the program advances and the industry evolves, DOT must learn from and adjust the program as needed to maximize value derived from IIJA investment. For example, in the months after DOT adopted the Combined Charging System (CCS) charging standard for NEVI-funded projects, support for the competing North American Charging System (NACS) began to spread rapidly among EV makers.
- Also, as the number of EVs on roadways, in the supply chain, and in residential and industrial facilities increases, DOT must position itself to address potential emerging safety issues brought by the increased use of these technologies. Challenges include collecting and evaluating post-incident and crash data as well as system-wide data to assess trends and identify risks, while also enhancing public understanding of vehicle safety issues.

Recent Progress Reported by the Department

- In July 2023, DOT, DOE, and the Joint Office on Energy and Transportation released a guide to help communities take advantage of Federal funding for EV charging stations.
- In June 2023, FAA reduced restrictions in north Florida airspace during most commercial space launches.
- In February 2023, the Secretary of Transportation established the AAM Interagency Working Group to coordinate efforts related to safety, operations, infrastructure, physical security and cybersecurity, and Federal investments for maturation of the AAM ecosystem. In July 2023, FAA released its initial AAM Implementation Plan.
- In January 2023, DOT released the 2022–26 Research, Development, & Technology Strategic Plan.
- FAA recently granted multiple waivers to operate UAS beyond visual line-of-sight (BVLOS) for purposes including package delivery and testing detect and avoid technology. The Agency is continuing to work towards standard rules to make BVLOS operations routine, scalable, and economically viable.
- In September 2023, DOT issued its Complementary Positioning, Navigation, and Timing (PNT) Action Plan to advance resilience of this critical infrastructure.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Integrate New Technologies Into the NAS

Supporting innovation in the NAS requires the safe integration of commercial space operations, AAM aircraft, and UAS, including:

- *Implementing technologies and procedures for integrating commercial space operations.* As of September 15, 2023, FAA reports that there have been 107 licensed commercial space operations in fiscal year 2023—more than triple the number in 2020. In 2021, FAA deployed a Space Data Integrator prototype, but its ability to provide launch and reentry data are limited, and FAA has not yet made key decisions on a planned successor program. In addition, while FAA has implemented procedures to reduce the time commercial space operations impact NAS airspace, the Agency still faces challenges integrating these operations.
- *Certifying and integrating AAM.* Regulatory, management, and communication issues have slowed certification efforts for AAM aircraft. FAA's regulations are still intended primarily for traditional small aircraft, and novel technologies do not readily fit into FAA's existing airworthiness standards. FAA also faces challenges in areas such as AAM airspace management and infrastructure requirements, including continued engagement and coordination with local, State, tribal, and territorial governments.
- *Removing barriers that limit UAS operations.* Following FAA's 3-year Integration Pilot Program and more than 3 years into the follow-on program BEYOND, the Agency is still working on establishing new regulations to advance complex UAS operations. Also, challenges remain for FAA and industry to implement a UAS Traffic Management ecosystem to coordinate and deconflict drone operations in low-altitude airspace.

AAM Aircraft in the FAA Certification Process as of August 2022



Source: UAM Manufacturers (clockwise from top-left: Alakai Technologies; AirVEV; Courtesy of Joby Aviation. © Joby Aero, Inc.; Beta Technologies; Archer Aviation; and Moog, Inc.)

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



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

Related OIG Work

[NHTSA Has Not Fully Established and Applied Its Risk-Based Process for Safety Defect Analysis](#) (May 31, 2023)

>> 12 recommendations (10 open, 2 closed)

[FAA Has Deployed a Prototype System for Monitoring Commercial Space Operations but Faces Integration Challenges](#) (June 21, 2023)

>> 4 recommendations (4 open, 0 closed)

[Regulatory Gaps and Lack of Consensus Hindered FAA's Progress in Certifying Advanced Air Mobility Aircraft, and Challenges Remain](#) (June 21, 2023)

>> 4 recommendations (4 open, 0 closed)

[FAA Has Made Progress on a UAS Traffic Management Framework, but Key Challenges Remain](#) (September 22, 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 (5 open, 1 closed)

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Organizational Excellence

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Organizational Excellence



In 2022, DOT adopted a strategic goal of organizational excellence to meet its mission now and into the future and help deliver on critical investments. This goal includes strategic objectives related to data-driven programs and policies, customer service, workforce development, and sustainability initiatives. Achieving these objectives, however, will be challenging because, as GAO and OIG have recently reported, some DOT OAs and offices may have to simultaneously manage data quality issues, staffing and workforce needs, and an evolving work environment.

Establish the Workforce Capabilities Needed To Meet the Department's Mission

- DOT currently employs approximately 55,000 personnel. However, for DOT to meet its mission, it must address a number of workforce challenges. For example, a May 2023 GAO letter calls for DOT to assess gaps in cybersecurity and data analysis skills; complete IT workforce planning activities to adequately assess and address gaps in knowledge and skills critical to the success of major IT acquisitions; and update policies and procedures to include designating a privacy official when planning for the Department's workforce privacy needs.
- To help support the safety and efficiency of the National Airspace System, FAA's nearly 5,000 technicians maintain roughly 74,000 pieces of equipment at approximately 400 facilities nationwide. However, FAA develops training and hiring targets only 1 year in advance and does not track data to help identify technician training and hiring needs. Forecasting maintenance technician training and hiring needs for multiple years in advance will be an ongoing workforce challenge for FAA.
- The Department also relies on contractors to support its mission but faces challenges ensuring its personnel effectively administer contracts. For example, we found that untimely awards of information technology contracts could occur, in part, because DOT's contracting staff have large workloads as well as a lack of the necessary knowledge to administer IT contracts effectively.

IJIA Impacts

As we reported in 2022, DOT faces challenges in ensuring it has the necessary human capital to achieve IJIA's program goals. The Department set a goal of 1,760 new hires to respond to identified IJIA-related needs. Approximately 1,400 of these employees would be in surface transportation OAs. DOT has reported that it has hired over 1,000 of these personnel (see table). We recently began an audit to evaluate the surface transportation OAs' processes for identifying positions needed to implement IJIA-funded programs. We will also report on DOT's progress addressing identified IJIA staffing needs at surface transportation OAs.

IJIA Hires by Surface Transportation Operating Administration Through September 2023

OA	FY 2022		FY 2023		FY 2022 - FY 2023	
	Goal	Actual	Goal	Actual	Goal	Actual
FTA	81	89	81	87	162	176
FRA	65	102	110	242	175	344
MARAD	33	23	12	4	45	27
NHTSA	40	38	62	43	102	81
FHWA	114	55	100	132	214	187
FMCSA	45	54	68	29	113	83
PHMSA	9	9	0	0	9	9
OST	65	52	53	44	118	96
Total	452	422	486	581	938	1003

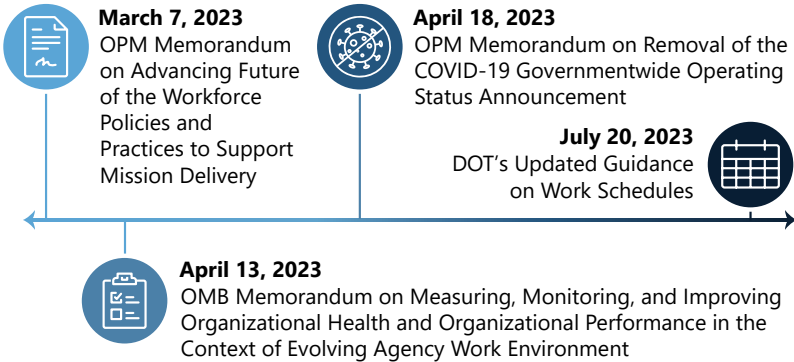
Source: OIG analysis of OST data

Inspector General's FY 2024 Top Management Challenges (CONT.)

Manage an Evolving Work Environment

- DOT has disparate missions, including safety, consumer protection, competition, and innovation. In many cases, the Department must achieve these missions with more staff working remotely than in the past. Consequently, it faces challenges developing the strong workplace cultures and skillsets needed to support effective decision-making within and across these missions.
- DOT is navigating the post-pandemic era (see figure) with the recent decision to increase in-office work to 4 days per pay period by December 2023. However, OMB requires Federal agencies to develop a data-driven approach to decisions on work environments—including the consideration of data to help meaningfully identify the impact of personnel policies and procedures on employee engagement, mission delivery, and outcomes. Agencies have also been directed to consider nationwide workforce and workplace trends when developing its capital plans. These capital plans are especially relevant in light of GAO's recent report stating that DOT used less than 20 percent of headquarters capacity during early 2023.
- In addition, the Department faces challenges in maintaining a collaborative environment with external stakeholders. Many DOT missions, including those under IJIA, involve such external coordination and collaboration. For example, IJIA established the Office of Multimodal Freight Infrastructure and Policy at DOT to help cities and States develop freight mobility and supply chain expertise, including a liaison role with other Federal departments and agencies. Similarly, implementation of DOT climate priorities, such as effecting a national transition to electric vehicles, require coordination with other agencies such as the Environmental Protection Agency, the Department of Energy, and the Department of Labor.

Timeline of Recent Workforce-Related Directives and Decisions



Source: OIG analysis

Inspector General's FY 2024 Top Management Challenges (CONT.)

Cultivate Data-Driven Approaches To Support Policymakers and Manage the Mission

- To support mission management, DOT needs to continue to cultivate its data-driven approaches across all OAs. Data-driven approaches to mission management include data collection and analysis to inform decision-making. Successful data-driven approaches also require meaningful and high-quality data, sufficient performance measures, and goals and metrics. These approaches align with directives from OMB, such as the use of evidence to further mission and operations.
- Recent OIG audit work underscores the challenges the Department faces in cultivating this approach. For example, we found in our assessment of FRA's oversight of Amtrak that the Agency lacked measurable goals and metrics as well as complete policies and procedures to assess Amtrak's adherence to requirements. We also found that FHWA's national tunnel inventory—which includes some incomplete and inaccurate data—inhibits FHWA's ability to ensure that all tunnels are inspected in accordance with standards.

Recent Progress Reported by the Department

- DOT ranked 6th of large agencies in 2022's Best Places to Work in the Federal Government rankings.
- The Department was ranked 4 of 14 among large agencies committed to the tenets of diversity, equity, inclusion, and accessibility.
- In March 2022, DOT issued its Learning Agenda, Capacity Assessment, and Evaluation Framework documents in response to the Foundations for Evidence-Based Policymaking Act of 2018.
- As part of its IIJA implementation, the Department has made a variety of data sets, analysis tools, and mapping resources available through its online "DOT Navigator" hub.

Related OIG Work

[FAA Faces Controller Staffing Challenges as Air Traffic Operations Return to Pre-Pandemic Levels at Critical Facilities](#) (June 21, 2023)

>> 2 recommendations (2 open, 0 closed)

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

>> No recommendations

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

>> No recommendations

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



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

For the current status of all our recommendations, visit our [Recommendation Dashboard](#) online.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Appendix. Department Response



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

Memorandum

Date:

Subject: INFORMATION—Management Response to the Office of Inspector General (OIG)
Draft Report: DOT's Fiscal Year (FY) 2024 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: 2023.10.23 14:34:56
+04'00'

To: Eric J. Soskin
Inspector General

The mission of the U.S. Department of Transportation (Department or DOT) is to serve the United States by ensuring a safe, fast, efficient, accessible, and convenient transportation system that meets our vital national interests and enhances the quality of life of the American people, today and into the future. The OIG's FY 2024 Top Management Challenges report highlights risks that DOT will need to continue to focus on to drive significant progress and change in the following ten challenge areas.

Aviation Safety. *Aircraft Certification*—The Federal Aviation Administration (FAA) remains committed to the thorough and complete implementation of the Aircraft Certification, Safety, and Accountability Act (ACSAA), through rulemaking, policy development, staffing studies, data sharing, and external partnership efforts. The FAA has completed over 65% of the 103 provisions in ACSAA, and the remaining provisions generally include longer-term activities such as rulemaking or policy development.

The FAA continues to drive greater transparency, collaboration, and accountability across the regulatory process and across 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 also provides quarterly, comprehensive progress updates to Congress, unions, and industry stakeholders.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Runway Incursions—The FAA continues to respond to and address the increase in runway incursions and other safety incidents that occurred from late 2022 into 2023. After issuing a Safety Call to Action in February 2023, the Agency held the FAA Aviation Safety Summit in March, bringing together more than 200 safety leaders from across the aviation industry to discuss ways to enhance flight safety. Since the Safety Summit, the FAA's Air Traffic Organization has been identifying additional steps to ensure our safety system remains effective and resilient, including improved supervision, specialized and enhanced controller training, updated simulator software, and continued analysis of runway incursion data. The FAA continues to pursue new technologies that will improve the situational awareness of controllers. For example, the FAA held a Surface Safety Industry Day to showcase commercial and readily available industry solutions and announced \$26 million in new investments such as surface surveillance systems for airports and an expansion of our terminal automation system. The FAA is also investing in airport infrastructure, awarding \$121 million in grants to airports across the country to reconfigure taxiways and install new lighting systems. In addition to forming an independent Safety Review Team that will share its recommendations this coming year, the FAA continues to host runway safety meetings at more than 90 airports to address airport-specific risks in the surface environment. From the time of the Safety Call to Action summit until September, the rate of the most severe runway incursions decreased by 40 percent and continued outreach and training are planned.

Surface Transportation Safety. The 2023 National Roadway Safety Strategy (NRSS) Progress Report encapsulates the concrete steps DOT has taken to systematically address the national crisis of roadway fatalities and serious injuries. The estimated fatality rate for the first half of 2023 was 1.24 per 100M VMT (vehicle miles traveled), compared to the estimated 1.31 for the first half of 2022.¹ The second quarter of 2023 also represents the fifth straight projected quarterly decline in fatalities. This comes after seven consecutive quarters of year-to-year increases in fatalities, beginning with the third quarter of 2020.² The Progress Report details accomplishments and identifies new commitments building on the 29 actions initially proposed, including 15 additional high-impact activities. This is a collaborative effort between the Office of the Secretary and the Operating Administrations whose roles and responsibilities encompass roadway safety, including the Federal Highway Administration (FHWA), Federal Motor Carrier Safety Administration (FMCSA), National Highway Traffic Safety Administration (NHTSA), Federal Transit Administration (FTA), and Federal Railroad Administration (FRA). Notable activities to date include:

- Launching a Complete Streets initiative combining innovations from multiple disciplines to achieve the creation of safe, connected, and equitable street networks for all users.
- Implementing the Drug and Alcohol Clearinghouse to help State Driver Licensing Agencies identify commercial driver's license (CDL) holders who have tested positive for a controlled substance/alcohol.

¹ <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813405>

² *Crash Stats: Early Estimate of Motor Vehicle Traffic Fatalities for the First Half* (January-June) of 2023; <https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813514>

Inspector General's FY 2024 Top Management Challenges (CONT.)

- Articulating a “road map” for the New Car Assessment Program (NCAP) to encourage safety technologies in motor vehicles, publishing notice of proposed rulemakings to equip automatic emergency braking on both light and heavy vehicles, and awarding over \$800 million in funding for the [Safe Streets and Roads for All](#) (SS4A) discretionary grant program.
- Decreasing the FRA employee on-duty injury and illness rate by focusing on railroad certification, training, and qualification standards. Further, under the most recent round of Consolidated Rail Infrastructure and Safety Improvements program (CRISI) grant announcements, FRA selected projects that invest more than \$1.4 billion into rail improvement projects in 35 states and Washington, D.C. This is the largest amount ever awarded for rail safety and rail supply chain upgrades through the CRISI program.
- Equitably increasing highly visible commercial motor vehicle (CMV) traffic enforcement against risky driver behavior, focusing on high crash locations, increasing investigations on carriers demonstrating the riskiest behaviors, and increasing [safety audits of new entrants](#) into the motor carrier industry.

Rail Safety—The Department is committed to enhancing freight rail safety. FRA has initiated several inspection programs to improve the country's rail safety posture which include focusing on routes over which high-hazard flammable trains (HHFTs) and other trains carrying large volumes of hazardous material travel. Additionally, in July 2023, FRA published a Notice of Proposed Information Collection proposing Class I freight railroads provide FRA train length data on a monthly basis.³ PHMSA has issued four safety advisories to encourage the use of steel manway covers, emphasize the importance of railroad emergency planning and preparedness, request that tank car owners and shippers voluntarily utilize the best available tank car, as well as encourage 9-1-1 call centers to use real-time train consist information.⁴ In June 2023, PHMSA published a Notice of Proposed Rulemaking proposing specific requirements for railroads to generate real-time train consist information and proactively provide that information to state and local first responders, emergency response officials, and law enforcement personnel following an accident, incident, or public health or safety emergency involving the rail transportation of hazardous materials.⁵

The Bipartisan Infrastructure Law (BIL) invests billions of dollars into roadway safety, including programs to help states improve driver behavior and prevent traffic crashes and fatalities. For example, in FY 2023, states received \$886 million in highway safety formula grants and are using those funds to address risky driving behaviors, protect vulnerable road users, and engage new partners to strengthen their programs.

Air Traffic Control and Airspace Modernization. *Controller Staffing*—Air Traffic Control and Airspace Modernization are key focus areas for the Department. The FAA launched a multi-year effort to ensure adequate controller staffing at its facilities and met this year's annual goal

³ 88 FR 47233 (July 21, 2023).

⁴ *Safety Advisory Notice for Tank Cars Equipped with Aluminum Manway Protective Housing Covers* (March 2, 2023) (available [here](#)); *Safety Advisory Notice for Railroad Emergency Preparedness* (March 3, 2023) (available [here](#)); *Safety Advisory Notice for DOT-111 Tank Cars in Flammable Liquid Service* (March 22, 2023) (available [here](#)); and *Safety Advisory Notice Encouraging the Use of Real-Time Train Consist Information in 9-1-1 Call Centers* (July 11, 2023) (available [here](#)).

⁵ 88 FR 41541 (June 27, 2023).

Inspector General's FY 2024 Top Management Challenges (CONT.)

of hiring 1,500 air traffic controller specialists. The FAA is introducing innovative training approaches for its new hires, starting with their entry classes at the FAA Academy and all the way to becoming fully certified air traffic controllers.

Flight Cancellations—Fiscal Year 2023 flight cancellations are down 24% from the prior year. When compared to a three-year pre-COVID baseline (Fiscal Years 2017 to 2019), the 2023 flight cancellations are down 6%.

NextGen Programs—The FAA prioritized the sustainment of technology and programs to increase the resiliency of the national airspace system operations. Through the Next Generation Air Transportation System (NextGen) program, improvements and modernization of the national airspace system operations have been and continue to be implemented using advanced technologies. Improvements include the deployment of the Terminal Flight Data Manager (TFDM) system, which began this year. 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 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. The Department has a historic opportunity to build a safer, better, stronger transportation system with the passage of BIL. This opportunity will create good-paying jobs and make our transportation safer, more sustainable, more accessible, and more resilient. Since the passage of BIL, the Department has announced more than \$200 billion for over 37,000 projects nationwide and is continuing to provide funding swiftly to communities. The Department has awarded grants for the first-ever "Safe Streets and Roads for All" program, and partners are stepping up in response to DOT's National Roadway Safety Strategy. With just the initial funding from BIL, the Department has begun repairing 4,600 bridges and 75,000 miles of roads and is well on its way to meeting President Biden's goal of building a national network of 500,000 public electric vehicle (EV) charging stations by 2030. The funding is not just going to roads and bridges—the Department is also making historic investments to modernize the nation's rail and transit systems and our ports and airports. These investments are creating jobs and spurring regional economic growth by advancing landmark projects like the Hudson River Tunnels between New York and New Jersey, the Brent Spence Bridge in Kentucky, and the Front Runner Double Track project in Salt Lake City. These investments will improve safety; create jobs and address transportation inequities in big cities and on rural main streets; make our Nation's infrastructure more resilient against extreme weather while reducing the transportation emissions that are contributing to those issues; and strengthen supply chains to keep goods moving and reduce prices.

While the Department focuses on delivering BIL programs on time, on task, and on budget, it will also continue to ensure the proper oversight and internal control mechanisms are in place to anticipate and address risks to implementation. DOT has established standard frameworks for managing risk and assessing internal controls through the Enterprise Risk Management and Internal Control Programs. DOT's mature Internal Control program helped the Department attain

Inspector General's FY 2024 Top Management Challenges (CONT.)

16 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. Consistent with the President's Management Agenda and the Secretary's strategic initiatives, including Climate and Sustainability as well as Diversity, Equity, Inclusion, and Accessibility, the Office of the Senior Procurement Executive (OSPE) is dedicated to recruiting, hiring, and maintaining high-performing acquisition talent. The OSPE will continue to effectively execute the Department's acquisition programs and lead program oversight and implementation of the full portfolio of acquisition responsibilities in areas including, but not limited to Program Management Improvement Accountability Act (PMIAA), category management, Single Audit, Buy America and Buy American, cyber security, and supply chain management initiatives. The Department will continue to leverage its primary procurement oversight mechanisms—the Acquisition Strategy Review Board (ASRB) and Procurement Management Review (PMR) program—to ensure effective and compliant management of federal contract dollars. Additionally, the Department is standing up the Office of Grants and Financial Assistance under the direction of the Assistant Secretary for Administration. This office will enhance the grants management and financial assistance administration throughout the Department by implementing planned programs of action and enhanced technology to streamline and manage the entire grant lifecycle (pre-award, award, and post-award).

Financial Management. Effective internal controls help ensure that federal programs fulfill their intended purposes, funds are spent effectively and accurately accounted for, and assets are safeguarded. From the moment 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 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 grant systems to refine processes and systems to make it more efficient for grantees to complete the administrative tasks required to secure BIL funds. During FY 2023, DOT continued to make significant improvements to internal business and reporting processes toward increased accuracy, reliability, and transparency of spending data. These improvements included the creation of a metric to identify reporting delays affecting the quality of spending data. Moreover, DOT is implementing new reporting tools to ensure that financial management information is readily available for analytics and decision-making throughout the Department.

Inspector General's FY 2024 Top Management Challenges (CONT.)

Information Security. The Department places high importance on Information Security and is committed to enhancing its cybersecurity posture. Over the past year, DOT has dedicated significant efforts to bolstering its cybersecurity capabilities in alignment with the Administration's Zero Trust Strategy. These efforts have primarily focused on enhancing Multifactor Authentication, improving logging practices, strengthening Endpoint Detection and Response measures, and enhancing vulnerability management and remediation processes. DOT's Chief Information Officer has made the remediation of cybersecurity vulnerabilities a top priority and continues to expand cybersecurity capabilities to reduce the Department's exposure to evolving cyber threats. Furthermore, DOT has made substantial investments in continuous penetration testing for all external-facing systems, thereby improving its ability to identify and address known exploitable vulnerabilities before they can be exploited by adversaries. In addition to these enhanced detection capabilities, the Department has successfully integrated its Continuous Diagnostic Mitigation (CDM) analytics and automation system with the Department of Homeland Security, Cybersecurity and Infrastructure Security Agency. This integration has significantly bolstered DOT's ability to detect, protect against, respond to, and mitigate persistent cyber threats. The Department has achieved an impressive milestone by surpassing the target deployment for Endpoint Detection and Response outlined in Executive Order 14028, achieving a deployment rate of 99%. The Department has formulated plans to further enhance its cybersecurity measures by ensuring that Multifactor Authentication and Encryption are implemented at a rate exceeding 90% by the end of the calendar year 2023.

Fraud Detection and Prevention. The Department is committed to preventing fraudulent activity before it happens. DOT has a variety of rigorous internal controls to ensure that federal funds reach the correct recipients, prevent improper payments, and reduce the risk of fraud, waste, and abuse. For example, DOT's Departmental financial system has a direct integration with the General Services Administration's System for Award Management (SAM), which identifies entities that are excluded from receiving federal contracts, certain subcontracts, and federal financial and non-financial assistance and benefits. In FY 2023, we deployed enhanced fraud risk management assessments across the Department to include the incorporation of controls identified by GAO's Fraud Risk Management Framework. DOT is also evaluating potential fraud risks associated with the Disadvantaged Business Enterprise (DBE) program. Additionally, DOT desires to broaden our collaboration with OIG on emerging fraud risks within DOT programs and activities.

Innovation and the Future of Transportation. *New Technologies Into the NAS*—DOT continues to support innovation and transformation of transportation's future, focusing on the important challenge of safely integrating new technologies into transportation systems. As an example, the Department has established an interagency working group to ensure a collaborative approach to the safe and efficient integration of Advanced Air Mobility aircraft into the national airspace. The team will contend with key areas of interest, such as aircraft certification, operational certification, airspace and air traffic management, vertiports, environment, security, community outreach, safety, and people. In the future of transportation, the FAA will lead in commercial space development through responsible regulations that focus on achieving public safety results rather than mandating the specific processes or technologies used to achieve those

Inspector General's FY 2024 Top Management Challenges (CONT.)

results. The FAA, through Unmanned Aircraft Systems (UAS) test sites, continues to accelerate the integration of drones into the national airspace. Rigorous testing at these sites helps evaluate the capabilities of public and civil UAS, and their data supports the FAA's development of certification standards and air traffic requirements.

Evolving Operations and Workforce Management. The Department continues its expanded efforts to support hiring needed to facilitate the successful delivery of BIL programs. Through cross-modal collaboration, Departmental leadership, and ongoing efforts of the DOT Recruitment Council, the Department successfully delivered two virtual job fairs in January 2023 and July 2023, reaching more than 2,500 potential applicants. As a result, the Department hired more than 1,000 personnel, exceeding the Departmental BIL hiring goal established for FY2023. DOT has continued to collaborate on efforts to cultivate a robust work environment that utilizes a variety of work arrangements including remote work, telework, flexible work schedules, and that optimizes our real property footprint. The Department is in the process of rightsizing its space at the DOT headquarters building and other facilities around the country. This has been done while also increasing meaningful in-person collaborations through activities such as all-employee meetings, recognition ceremonies, leadership development programs, and other collaboration opportunities. The Department also understands the importance of maintaining and strengthening relationships with our counterparts across the federal space. Through the use of virtual and hybrid tools, Department officials are more easily able to engage with colleagues across the country as active members and leaders of cross-agency groups such as the Chief Human Capital Officer Council, Chief Diversity Officers' Executive Council, Multi-Agency Executive Steering Committee under the Human Resources Line of Business and Human Resource Quality Service Management Offices, and many others.

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 the Office of Management and Budget (OMB) Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*. The Department reports the results of its FY 2023 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 2023 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 Transit Infrastructure Grants (TIG) – COVID Relief Funds includes funding provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), and American Rescue Plan Act of 2021 (ARPA) to support the nation's public transportation systems as they respond to the Coronavirus Disease 2019 (COVID-19) pandemic.

The FY 2023 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid along with reduction targets.

FY 2023 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⁾	\$51,107.27	\$51,083.70	99.95%	\$23.57	0.05%
FTA TIG - COVID Relief Funds ⁽¹⁾	\$24,408.38	\$23,901.98	97.93%	\$506.40	2.07%

⁽¹⁾ For FY 2023 testing, the program or activity reviewed payments made from October 1, 2021 to September 30, 2022.

FTA's TIG – COVID Relief Funds is a High-Priority program as designated by the OMB. Supplemental COVID relief funding provided FTA's existing programs with new eligibilities, including transit operating funding in areas formerly only permitted for capital expenses. The funds are not administered at the Federal level and overpayments are outside of FTA control when grant recipients make administrative errors. A large portion of FTA overpayments were due to retroactive payroll adjustments made by the grant recipient that included transactions occurring before the COVID-19 pandemic. Only costs incurred after January 20, 2020 were eligible for reimbursement.

FTA performs outreach and payment integrity training with its regional offices and select transit authorities. The Office of Program Oversight develops and implements a comprehensive national oversight program to assess funding recipients compliance with the requirements of FTA's assistance programs. FTA is working on corrective action planning including technical assistance for eligible expenses to address overpayments. At the Federal level, the program has what is needed with respect to internal controls, human capital, and information systems to reduce improper payments.

The FY 2023 Payment Accuracy Root Cause table provides the estimated improperly paid by root cause categories. OMB designates programs with an estimate monetary loss over \$100 million as High-Priority programs.

FY 2023 Payment Accuracy Root Causes (\$ in millions)

Program or Activity	Estimated Monetary Loss Improper Payment Amount	Estimated Technically Improper Payment Amount	Estimated Improper Underpayment Amount	Estimated Unknown Improper Payment Amount	Total Estimated Improper Payments
FHWA HPC	\$20.47	\$ -	\$3.10	\$ -	\$23.57
FTA TIG - COVID Relief Funds	\$506.40	\$ -	\$ -	\$ -	\$506.40

In addition to estimating IPs, the Department performed over 30 IP risk assessments of its programs, conducted a recovery audit, analyzed confirmed fraud cases, and screened payments against the Do Not Pay databases. Federal personnel within DOT's Payment Integrity Center performed the recovery audit. More information on the Department's FY 2023 IP reviews is located on OMB's website: <https://paymentaccuracy.gov/>.

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED)

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, the year the penalty was enacted or adjusted by Congress, the latest year of inflation adjustments, the current penalty level, the 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	2023	\$111,031	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	2023	\$40,272	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	2023	\$1,771	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	2023	\$16,108	OST	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)(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	2023	\$8,054	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	2023	\$4,028	OST	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2023	\$1,052	Federal Railroad Administration (FRA)	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Ordinary maximum rail safety penalty	2008	2023	\$34,401	FRA	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2023	\$137,603	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2023	\$582	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2023	\$96,624	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2023	\$225,455	FRA	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2023	\$1,288	Federal Motor Carrier Safety Administration (FMCSA)	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2023	\$12,882	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	2023	\$2,232	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	2023	\$22,324	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	2023	\$2,232	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	2023	\$22,324	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	2023	\$1,116	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	2023	\$32,208	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	2023	\$28,304	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	2023	\$18,170	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 (j) (conducting operations during suspension or revocation)	1984	2023	\$28,304	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2023	\$1,496	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2023	\$14,960	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2023	\$14,960	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2023	\$18,170	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2023	\$4,543	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	2023	\$3,740	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	2023	\$7,481	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2023	\$6,755	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	2023	\$3,740	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	2023	\$7,481	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)(C)	Appendix B (b)(2) Employer violations pertaining to knowingly allowing, authorizing employee violations of out-of-service order (minimum penalty)	1986	2023	\$6,755	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	2023	\$37,400	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	2023	\$19,389	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2023	\$19,933	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	2023	\$96,624	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	2023	\$582	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 (e)(2) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)—maximum penalty	2012	2023	\$96,624	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	2023	\$96,624	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	2023	\$96,624	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	2023	\$225,455	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	2023	\$32,208	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	2023	\$96,624	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	2023	\$225,455	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(1) Violations of the commercial regulations (CR) (property carriers)	2012	2023	\$12,882	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2023	\$12,882	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(3) Violations of the CRs (passenger carriers)	2012	2023	\$32,208	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	2023	\$12,882	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	2023	\$17,717	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	2023	\$44,294	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	2023	\$25,767	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	2023	\$51,533	FMCSA	https://www.federalregister.gov/
49 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	2023	\$1,937	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(e)	Appendix B (g)(8) Violation of the CRs (weight of HHG shipment, charging for services)—minimum penalty for first violation	1995	2023	\$3,879	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 subsequent violation	1995	2023	\$9,695	FMCSA	https://www.federalregister.gov/
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2023	\$193,890	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)— first violation	1995	2023	\$387	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)— subsequent violations	1995	2023	\$484	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	2023	\$971	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	2023	\$3,879	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	2023	\$971	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(2)	Appendix B (g)(13) Service from freight forwarder at less than rate in effect— maximum penalty for subsequent violation(s)	1995	2023	\$3,879	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. 14905	Appendix B (g)(14) Violations related to loading and unloading motor vehicles	1995	2023	\$19,389	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	2023	\$1,288	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	2023	\$9,695	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14908	Appendix B (g)(17) Unauthorized disclosure of information	1995	2023	\$3,879	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	2023	\$971	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	2023	\$19,389	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	2023	\$14,960	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 (d)(3)	Appendix B (g)(23) HHG transportation or broker services—registration requirement	2005	2023	\$37,400	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(E)	Appendix B (h) Copying of records and access to equipment, lands, and buildings—maximum penalty per day	2005	2023	\$1,496	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 total penalty	2005	2023	\$14,960	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	2023	\$2,577	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	2023	\$6,441	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	2023	\$3,219	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	2023	\$9,652	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	2023	\$2,577	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	2023	\$6,441	FMCSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2023	\$257,664	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	2023	\$2,576,627	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(2)	Maximum additional penalty for each liquefied natural gas pipeline facility violation.	1996	2023	\$94,128	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2023	\$1,496	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	2023	\$96,624	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	2023	\$225,455	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2023	\$582	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	2023	\$26,315	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	2023	\$131,564,183	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	2023	\$14,960	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	2023	\$22,440,526	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	2023	\$6,441	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	2023	\$1,288,315	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	2023	\$2,100	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	2023	\$3,446	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	2023	\$3,837,393	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	2023	\$3,446	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	2023	\$1,879,489	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	2023	\$71,317	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	2023	\$2,100	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2023	\$12,882	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	2023	\$1,288,315	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	2023	\$12,882	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	2023	\$2,830	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	2023	\$707,524	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	2023	\$210,161	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	2023	\$48,779	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	2023	\$49,534	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32912(b)	Civil penalty factor for violations of fuel economy standards prescribed for a model year under 49 U.S.C. 32902	2022	2023	\$16	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32912(c)(1)(B)	Maximum civil penalty factor that may be prescribed for fuel economy standards under 49	2022	2023	\$31	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	2023	\$24,746	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	2023	\$61,982	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	2023	\$24,905	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	2023	\$157	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
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	2023	\$31,326	MARAD	https://www.federalregister.gov/
46 U.S.C. 12151	Maximum civil penalty for violations in applying for or renewing a vessel's fishery endorsement	1998	2023	\$181,713	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	2023	\$29,462	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	2023	\$30,820	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	2023	\$40,272	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	2023	\$1,771	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	2023	\$1,771	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)(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	2023	\$16,108	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B) (i)	Violation by an individual or small business concern related to the transportation of hazardous materials	2003	2023	\$16,108	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	2023	\$16,108	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	2023	\$16,108	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	2023	\$16,108	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2023	\$5,171	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	2023	\$28,085	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	2023	\$42,287	FAA	https://www.federalregister.gov/
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2023	\$16,108	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	2023	\$24,656	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	2023	\$283,009	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	2012	2023	\$96,624	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	2023	\$225,455	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	2023	\$582	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	2023	\$96,624	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	2023	\$1,144,489	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 (AFM) or flight crew operating manual contrary to 49 U.S.C. 44704(e) (1)-(3)	2020	2023	\$1,144,489	FAA	https://www.federalregister.gov/

Grant Programs (UNAUDITED)

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, 2023. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2023.

Category	Age of Expiration		
	2-3 Years - FY 2020-2021	4-5 Years - FY 2018-2019	>5 Years - Before FY 2018
Number of Grants/Cooperative Agreements with Zero Dollar Balances	1,733	731	1,747
Number of Grants/Cooperative Agreements with Undisbursed Balances	1,013	679	640
Total Dollar Amount of Undisbursed Balances	\$ 525,832	\$ 616,511	\$ 341,133

DOT has made significant progress in closing out grant awards in FY 2023. 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. States that were issued grants are more likely to focus on new and ongoing awards than allocating resources to the close-out process. There are 50 States plus the District of Columbia, Puerto Rico, and the U.S. Territories that have their own systems and unique processes for closing out awards. In addition, there was an increase in the number and total dollar amount of grants and cooperative agreements with undisbursed balances, due to a change in process of identifying expired period of performance grant activity. DOT experienced difficulty in identifying end dates for older grants before the period of performance was required to be included in the award agreement, in accordance with 2 Code of Federal Regulations (CFR) 200.

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, 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

- DOT's Climate Action Plan is available for review at the following weblink: https://www.transportation.gov/sites/dot.gov/files/2021-10/Climate_Action_Plan.pdf. 2023 Progress Updates for the DOT Climate Action Plan were provided verbally to the Council on Environmental Quality (CEQ) at its request.
- 2023 DOT Sustainability Plan: The 2023 DOT Sustainability Plan was not available in time for inclusion of its weblink in the FY 2023 DOT AFR. DOT will make the 2023 Sustainability Plan available on its website once it has been issued. Once available, the plan can be accessed at <https://www.sustainability.gov/dot.html>, where copies of the latest public versions of DOT's Plans can be found.

FY 2022 BUDGET AUTHORITY AND OUTLAYS

In FY 2022, DOT engaged in actions listed below to help reduce the Federal Government's exposure to climate-related financial risks. Related outlays for each activity include:

- \$149 thousand for improvements in energy efficiency and the capability of future climate-related risks; and
- \$70 thousand for tools used to assess exposure to future climate risks.

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 Policy and Chief Sustainability Officer (CSO), in coordination with the Department's modal Operating Administrations (OA), 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 CFR 1.38(c)(2)) and 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 vulnerability assessment tool. The 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 in order to calculate a more robust site-specific climate-risk score for Departmental mission-critical assets. Each OA (except FAA) has completed initial assessments of their mission-critical assets and OST is analyzing the results. 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 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.

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

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 Office of the Budget, 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 greenhouse gas (GHG) emissions performance is provided here: <https://www.sustainability.gov/dot.html>.

Audit Resolution Report (UNAUDITED)

OFFICE OF INSPECTOR GENERAL (OIG)

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, 2022, the Department had a beginning balance of **508** audit recommendations. During FY 2022, the OIG issued a total of **185** audit recommendations — **7** in Funds Put to Better Use, **5** in Questioned Cost, **3** Unsupported Cost, and **170** (non-financial) procedural recommendations. During FY 2022, the Department closed **181** recommendations, which left **512** recommendations open at the end of the fiscal year. Of the number closed, **165** were procedural or non-monetary; **7** were questioned or unsupported costs, which represented **\$445,332,842**; however, only **\$4,324,193** in disallowed costs was recoverable, which DOT recovered. As of September 30, 2023, DOT has no recommendations over six months old without a management decision.

The tables below show that during FY 2023 DOT made management decisions to act on **15** audit recommendations with management efficiencies and planned recoveries that total more than **\$401** million. In addition, the Agency completed final actions for **16** monetary audit recommendations that represented **\$1.8** billion in cost savings.

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

On October 1, 2022, DOT had a beginning balance of **167** open audit recommendations. During FY 2023, the Department closed **34** recommendations and GAO issued a total of **44** new recommendations. As of September 30, 2023, GAO has **81** audits underway departmentwide.

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE		
	Recommendations	Dollar Value
Management Decisions		
Beginning Balance on October 1, 2022	12	\$1,485,929,526.00
Management Decisions During the Fiscal Year	7	\$69,274,724.00
Total Management Decisions Made	19	\$1,555,204,250.00
Final Actions:		
Recommendations Implemented	9	\$1,316,613,821.00
Recommendations Not Implemented	10	\$238,590,429.00
Ending Balance on September 30, 2023	10	\$238,590,429.00

Audit Resolution Report (UNAUDITED) (CONT.)

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS		
	Recommendations	Dollar Value
Management Decisions		
Beginning Balance on October 1, 2022	44	\$272,946,832.71
Management Decisions During the Fiscal Year	8	\$331,604,262.00
Total Management Decisions Made	52	\$604,551,094.71
Final Actions:		
Collections/Offsets	3	\$4,324,193.73
(Allowable)	4	\$441,008,649.27
Total Final Actions ¹	7	\$445,332,843.00
Ending Balance on September 30, 2023	45	\$159,218,251.71

Note: The data in these tables do not include procedural (non-monetary) audit recommendations.

1 A single audit recommendation can involve multiple recovery types (collections/offset, other recovery, write-offs).

Acronyms List

A

AATF	Airport and Airway Trust Fund
ACSAA	Aircraft Certification, Safety, and Accountability Act
AEC	Atomic Energy Commission
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
APG	Agency Priority Goals
APR	Annual Performance Report
ARPA	American Rescue Plan Act of 2021

B

BIL	Bipartisan Infrastructure Law
-----	-------------------------------

C

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDL	Commercial Driver's License
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CIP	Construction-in-progress
COVID-19	Coronavirus Disease 2019
CR	Commercial Regulations or Continuing Resolution
CRISI	Consolidated Rail Infrastructure and Safety Improvements
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
DNP	Do Not Pay
DoD	Department of Defense
DOE	Department of Energy
DOL	Department of Labor
DOT	Department of Transportation

E

E.O.	Executive Order
ESC	Enterprise Services Center

Acronyms List (CONT.)

EV	Electric Vehicle
----	------------------

F

FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST Act	Fixing America's Surface Transportation Act of 2015
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FERS	Federal Employee Retirement System
FFB	Federal Financing Bank
FFGA	Full Funding Grant Agreement
FFMIA	Federal Financial Management Improvement Act of 1996
FHWA	Federal Highway Administration
FISMA	Federal Information Security Modernization Act of 2014
FITARA	Federal Information Technology Acquisition Reform Act
FMCSA	Federal Motor Carrier Safety Administration
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FY	Fiscal Year

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
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

H

HPC	Highway Planning and Construction
HTF	Highway Trust Fund
HUD	U.S. Department of Housing and Urban Development
HVA	High-Value Assets

I

IGT	Intragovernmental Transactions
IIJA	Infrastructure Investment and Jobs Act

Acronyms List (CONT.)

IP	Improper Payment
IPT	Integrated Project Team
IRS	Internal Revenue Service
IT	Information Technology

M

MARAD	Maritime Administration
MBRC	Minority Business Resource Center
MFA	Multifactor Authentication
MMAC	Mike Monroney Aeronautical Center

N

NAS	National Airspace System
NCAP	New Car Assessment Program
NDRF	National Defense Reserve Fleet
NEVI	National Electric Vehicle Infrastructure
NextGen	Next Generation Air Transportation System
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
OFM	Office of Financial Management
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSPE	Office of the Senior Procurement Executive
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

PHMSA	Pipeline and Hazardous Materials Safety Administration
PII	Personally Identifiable Information
PIIA	Payment Integrity Information Act of 2019
PIV	Personal Identity Verification

Acronyms List (CONT.)

P.L.	Public Law
PMO	Project Management Office
PNT	Positioning, Navigation, and Timing
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

SBR	Statements of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SSAE-18	Statement on Standards for Attestation Engagements 18
SS4A	Safe Streets and Roads for All

T

TAS	Treasury Account Symbol
TIFIA	Transportation Infrastructure Finance and Innovation Act
TIG	Transit Infrastructure Grants
TTC	Transportation Technology Center

U

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

V

VMT	Vehicle Miles Traveled
-----	------------------------

Z

ZTA	Zero Trust Architecture
-----	-------------------------

Contact Us

If you have any questions or comment and would like to contact us about the Department's Annual Financial Report, please email us at: fin.statements@dot.gov.

You can also send written questions and comments to us at:

1200 New Jersey Avenue SE
Room W93-325
Washington, DC 20590
United States

Electronic copies of DOT's Budget and Performance Documents, including the AFR, are available at:

<https://www.transportation.gov/budget>

To learn more about the Department of Transportation, including our mission, priorities, and programs; please visit us on-line at:

<https://www.transportation.gov>

We hope to hear from you soon!