AGENCY FINANCIAL REPORT

U.S. Department of Transportation

FISCAL YEAR

2025

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

TABLE OF CONTENTS

FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2025 provides an overview of DOT's financial performance and results to the U.S. Congress (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 reporting requirements enacted into statue by the laws mentioned below, provides readers with an overview of DOT's highest priorities, as well as our strengths and challenges.

DOT's FY 2025 annual reporting includes the following two components.

Agency Financial Report (AFR)

The following AFR is organized into three major sections.

The Management's Discussion and Analysis section provides executive-level information on DOT's history, mission, organization, and key activities; analysis of financial statements; systems, controls, and legal compliance; accomplishments for the fiscal year; and management and performance challenges. A high-level summary of FY 2025 performance information is found on page 15 of the AFR.

The Financial Report section provides DOT'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 (PIIA) reporting details and other statutory reporting requirements, including the Summary of Financial Statement Audit and Management Assurances; the Inspector General's FY 2026 Top Management Challenges; Civil Monetary Penalty Adjustments for Inflation; Grants Programs; and Audit Resolution Report Summary and Table.

Annual Performance Report (APR)

The FY 2025 APR is scheduled for publication on March 16, 2026. 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 two reports satisfy the reporting requirements of the following major legislation:

- Reports Consolidation Act of 2000;
- Government Performance and Results Act of 1993 (GPRA);
- Governmental Performance and Results Act Modernization Act of 2010 (GPRAMA);
- Chief Financial Officers Act of 1990 (CFO Act);
- Government Management Reform Act of 1994 (GMRA);
- 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 is available on DOT's website.

The forthcoming APR will be available on DOT's website.

Certificate of Excellence in Accountability Reporting (CEAR)

DOT received a CEAR award for the Department's FY 2024 AFR. The Association of Government Accountants (AGA) CEAR Program has been helping federal agencies produce high-quality AFRs and Performance and Accountability Reports (PARs) since 1997. The program was established in conjunction with the Chief Financial Officers Council and the Office of Management and Budget (OMB) to improve financial and program accountability by streamlining reporting and improving the effectiveness of such reports.

DOT is honored to have received this prestigious award for its FY 2024 AFR. DOT is fully committed to excellence in financial reporting and providing a comprehensive understanding of DOT's fiscal and programmatic accomplishments.


AGA™

Certificate of Excellence in Accountability Reporting®

presented to the

U.S. Department of Transportation

in recognition of outstanding effort in preparing the Agency Financial Report for fiscal year 2024

Andrew Lewis, CGFM, CPA
Chair, CEAR Board

Ann M. Ebberts, MS, PMP
Chief Executive Officer, AGA

MESSAGE FROM THE SECRETARY

January 14, 2026

I am pleased to present the U.S. Department of Transportation (DOT) Fiscal Year (FY) 2025 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 DOT's commitment to the proper stewardship of public funds, and the delivery of quality data and information on the Department's fiscal operations.

The mission of DOT is to advance safety, move people and goods, and build big and beautiful infrastructure.

Safety is not just a priority; it is our purpose. This year, we have taken bold steps to modernize our infrastructure and airspace to ensure the safety of all Americans. What happened on January 29, 2025 at Ronald Reagan Washington National Airport (DCA) was a heartbreaking tragedy, and in response the Department is undertaking decisive measures to prevent future tragedies, including hiring more air traffic controllers, deploying new state-of-the-art air traffic systems, and replacing technologies that no longer meet operational demands. DOT is implementing upgrades to core infrastructure including radar, software, hardware and telecommunications networks, to reduce outages, strengthen reliability, and enhance safety across the aviation system. Safety on the ground is just as critical. In FY 2025, the Department launched the Safe Arterials for Everyone through Reliable Operations and Distraction-Reducing Strategies initiative. This program targets non-freeway arterial roads where more than half of U.S. roadway deaths occur and prioritizes investments that improve mobility and safety on roadways. DOT is prepared to help communities across the country build safer and smarter transportation networks, making it easier to travel our roads and navigate our skies with confidence.

Transportation infrastructure is the backbone of our communities. The Department has been leading efforts to get America building again. Over the past year, we have launched an aggressive campaign to modernize the way we fund, permit, and deliver projects across the country. Through the Better Utilizing Investments to Leverage Development grant program, we are directing nearly $500 million in awards toward 30 major projects that will support critical roadway, transit, rail, maritime, and aviation infrastructure improvements. These investments are designed to improve safety, reduce congestion, and spur economic growth. At the same time, the Department has reviewed and approved more than 3,000 infrastructure grants worth $36 billion, cutting through a backlog of over 3,200 projects left behind from the previous administration.

The catalyst for this progress is that we are building differently, making deregulation a central part of our infrastructure strategy; while also cutting through red tape, streamlining permitting processes, and removing bureaucratic barriers that slow down progress. A key reform in this initiative is the Department's landmark revisions to the National Environmental Policy Act (NEPA) implementing procedures. These revisions cut the Department's NEPA written procedures in half and will accelerate the delivery of major infrastructure projects, minimize delays, and curb soaring compliance costs.

The Department is committed to giving Americans the freedom to choose their mode of transportation. Our work directly impacts how people move, how quickly they move, and how safe their journeys are. In FY 2025, the Department undertook efforts to improve transportation options by investing in high-speed rail with the launch of 28 new Amtrak Acela trains capable of reaching speeds up to 160 mph. We also commenced an immediate review and reconsideration of all existing fuel economy standards for motor vehicles produced from model year 2022 forward. These, as well as other efforts, are about giving Americans real choices in how they travel. Whether by train, car, or plane, our infrastructure must offer safe, efficient, and affordable options. The expansion of rail service will generate greater economic returns, provide more reliable service at lower prices, and give millions of Americans more freedom in how they move across the country. Reconsidering fuel economy standards will give Americans more freedom of choice in which vehicles they choose to purchase and allow Americans to pick the vehicle that works best for them while eliminating any artificial market advantage to electric vehicles. This will also lead to greater affordability of newer vehicles while we achieve shared objectives and support innovation and energy security.

Technology is the engine of transformation in transportation. Modernizing our airspace is the focal point of this effort. For too long, our air traffic control system has relied on outdated technologies, including systems designed decades ago. That is changing under this Administration. The Department is implementing a new system comprised of four infrastructure components: communications, surveillance, automation, and facilities. This work is made possible by an unprecedented coalition of support the Department has assembled—from labor to industry, all committed to advancing the nation's air traffic control system. Modernization of air traffic control is only the start. The Department is leading a suite of technological initiatives that demonstrate our commitment to innovation. A new Automated Vehicle (AV) Framework will unleash American ingenuity, while maintaining key safety standards and preventing a harmful patchwork of state laws and regulations. Similarly, the expanded Automated Vehicle Exemption Program now includes domestically produced vehicles, which previously was open only to imported AVs. This will ensure U.S. companies remain at the forefront of innovation.

OVERVIEW OF THE FISCAL YEAR 2025 FINANCIAL RESULTS

I am pleased to share that for the 19th consecutive year, we have received an unmodified opinion, providing reasonable assurance that DOT's 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 data published in this report is complete and reliable. Summary performance results are not included in this report as DOT does not have performance results for FY 2025 due to the change in Administration and its priorities. DOT spent FY 2025 redefining its Performance Goals and Strategy that it will measure itself against. The results of these newly defined Performance Goals and Strategy will be presented in future AFRs.

With the dedication of our workforce and the partnership of states and communities, we are building safer roads, modernizing our airspace, and unlocking new innovations that will define the future of transportation. I am proud of the men and women of this Department whose dedication and service make this mission possible.

Sincerely,

Sean P. Duffy

MANAGEMENT'S DISCUSSION AND ANALYSIS

Department of Transportation (DOT) Mission

The mission of DOT is to advance safety, move people and goods, and build big and beautiful infrastructure.

HOW DOT IS DELIVERING RESULTS

ACCOMPLISHMENTS	DELIVERING RESULTS
Safety First	Building an all-new, state-of-the-art air traffic control system thanks to the **$12.5 billion** Congress delivered in the One Big Beautiful Bill. FAA made historic progress on air traffic control overhaul with **1/3 of all copper wires replaced, 148 new radio system** installed, and surface awareness systems deployed across **44 towers**.
Back to Basics: America is Building Again	Stripping previous Diversity, Equity, and Inclusion, and climate requirements from the grant process. Cleared a significant amount of the unobligated grants backlog inherited from the previous Administration. Delivered the **single largest emergency relief package** in departmental history to communities devasted by Hurricane Helene.
Cutting Red Tape and Eliminating Waste	Saved **$14 billion dollars** for taxpayers since the start of the new administration. Pulled a **$4 billion grant** from California's high-speed rail project. Saved taxpayers **$26 million** by canceling a grant for the Baltimore-Washington Superconducting Magnetic Levitation (SCMAGLEV) Project.
Restoring Maritime Dominance	Prioritizing renovations at the **U.S. Merchant Marine Academy (USMMA)** to restore American maritime dominance. U.S. Army Corps of Engineers (USACE) New York District and the USMMA have entered into a long-term agreement for the **revitalization and modernization of USMMA's campus**.
Lower Costs, Bigger Paychecks	Unveiled **"Freedom Means Affordable Cars"** initiative to eliminate Electrical Vehicle (EV) mandate from previous Administration. Struck a deal with Amtrak to **share executive bonuses** with frontline workforce.
Unleashing Innovation	Unveiled the first-ever National Advanced Air Mobility Strategy to **unlocked the future of flight**. Released a new rule to unleash **American drone dominance** pioneering the future of the airspace.

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 DOT 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 U.S. Congress (Congress) transportation policies and programs to achieve transportation objectives considering the needs of the public, users, carriers, industry, labor, and national defense.

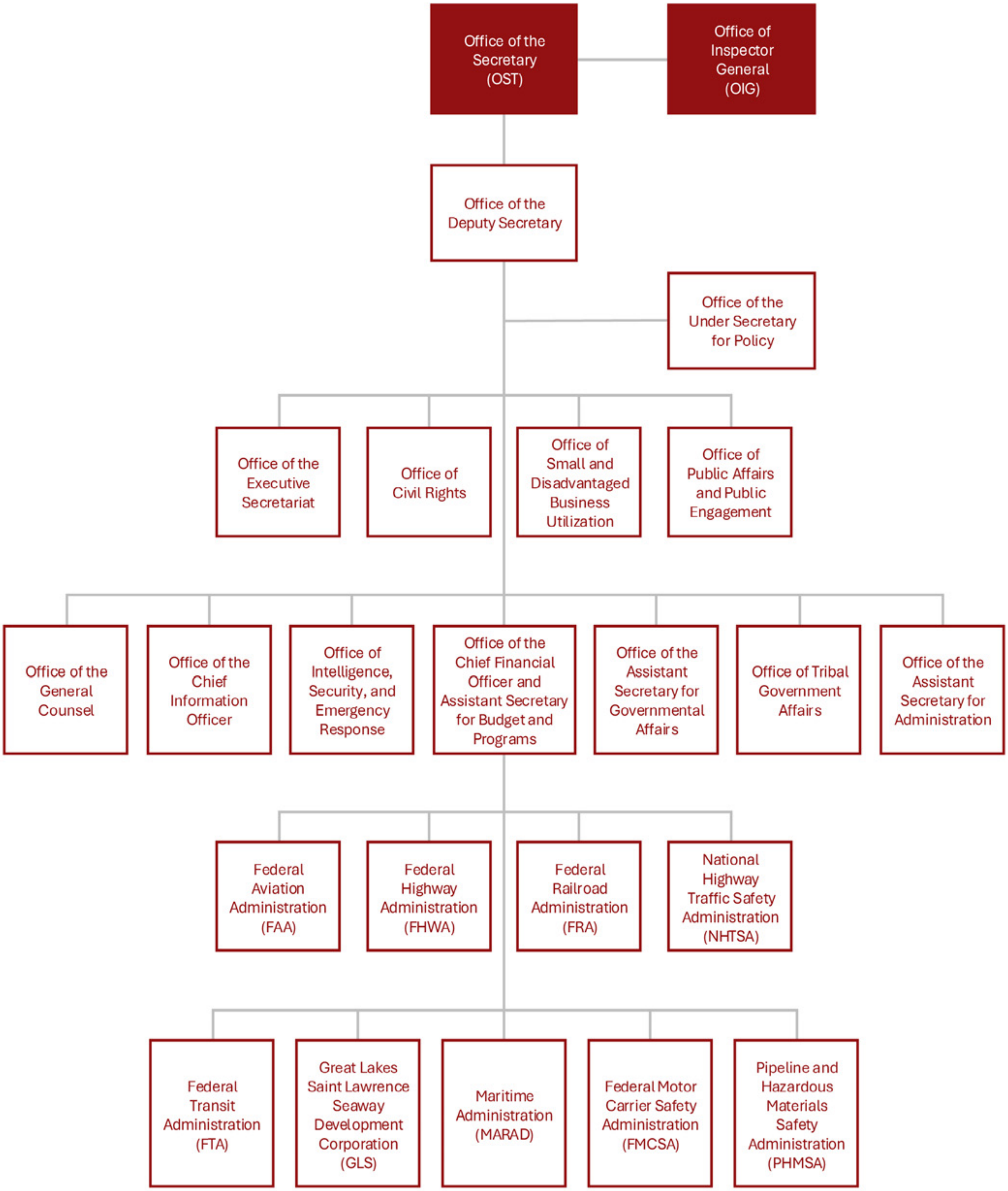
Organization

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 many uniquely skilled individuals in the Office of the Secretary (OST) and through 10 Operating Administrations (OAs) and Bureaus, each with its own management and organizational structure in order to achieve its mission.

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.

OST Homepage.

Office of Inspector General (OIG)

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

OIG Homepage.

Federal Aviation Administration (FAA)

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

FAA Homepage.

Federal Highway Administration (FHWA)

The mission of the Federal Highway Administration is to improve safety and mobility on our nation's highways through national leadership, innovation, and program delivery.

FHWA Homepage.

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.

FRA Homepage.

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.

NHTSA Homepage.

U.S. Department of Transportation
Federal Transit Administration

Federal Transit Administration (FTA)

The Federal Transit Administration's mission is to improve America's Communities through Public Transportation.

FTA Homepage.

Great Lakes St. Lawrence Seaway Development Corporation (GLS)

The Great Lakes St. Lawrence Seaway Development Corporation mission is to provide a safe, reliable, and efficient marine transportation waterway linking the Great Lakes to the Atlantic Ocean and to promote maritime trade and economic opportunities throughout the Great Lakes St. Lawrence Seaway System.

GLS Homepage.

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.

MARAD Homepage.

U.S. Department of Transportation
Federal Motor Carrier Safety Administration

Federal Motor Carrier Safety Administration (FMCSA)

The primary mission of the Federal Motor Carrier Safety Administration (FMCSA) is to reduce crashes, injuries, and fatalities involving large trucks and buses.

FMCSA Homepage.

U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration

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.

PHMSA Homepage.

Performance Summary and Highlights

PROGRESS TOWARD ACHIEVEMENT OF PERFORMANCE GOALS

Each year, DOT issues reports to provide financial management and organizational performance information to demonstrate accountability to the American public.

In addition to the Agency Financial Report (AFR), DOT produces the Annual Performance Report (APR).

DOT's fiscal year (FY) 2025 APR will provide a complete discussion of its performance measures, including descriptions of the metrics, methodologies, results, trends, verification and validation of performance data. This reporting document provides information on DOT's progress toward achieving the goals and objectives described in the Strategic Plan and Annual Performance Plan. Performance goals cover program activity set forth in the budget.

During an Administration transition year, agencies develop new strategic goals and objectives aligned to the current Administration's policies and priorities. The priorities, goals, and objectives being developed during this time will be reflected the next Agency Strategic Plan.

FY 2025 PERFORMANCE GOALS

The 36 performance goals will be carried out by DOT's OAs and OST. The following tables include information about the performance goals intended outcomes, target performance levels, and prior year results.

#	PERFORMANCE GOAL	LEAD OA	FY 2024 ACTUAL	FY 2025 TARGET	FY 2026 TARGET
1	Reduce the annual rate of total roadway fatalities per 100 million vehicle miles traveled (VMT) to 1.18 or fewer by calendar year (CY) 2026	NHTSA	1.20*	1.20**	1.18**
2	Reduce the annual number of total roadway fatalities to 36,458 or fewer by CY 2026	NHTSA	39,345*	36,458**	36,458**
3	Reduce the annual rate of passenger vehicle occupant fatalities per 100 million passenger vehicle miles traveled (PVMT) to 0.73 or fewer by CY 2026	NHTSA	0.77*	0.74**	0.73**
4	Reduce the annual number of large truck and bus related fatalities to 4,555 or fewer by FY 2029	FMCSA	5,039	4,938	4,839
5	Increase the annual vehicle recall completion rate to 59.6% or more by FY 2026	NHTSA	59.2%	59.4%	59.6%
6	Reduce the number of motor carriers in caution status to 64,460 or fewer by FY 2029	FMCSA	65,775	65,512	65,249
7	Increase the annual new entrant motor carrier pass rate to 93.0% or more by FY 2029	FMCSA	91.2%	91.5%	91.9%
8	Reduce the annual rate of fatalities and injuries per 100 million train/bus revenue miles from transit collision and derailment events to 278.3 or fewer by FY 2026	FTA	283.9	281.1	278.3
9	Reduce the annual rate of fatalities and injuries per 100 million train/bus revenue miles on transit from assaults on all persons to 79.4 or fewer by FY 2026	FTA	81.0	80.2	79.4
10	Reduce the annual number of railroad employee operational on-duty fatalities to zero by FY 2030	FRA	5	4	3

** CY 2024 estimate* *** CY Target* **** FY 2023 Actual*

#	PERFORMANCE GOAL	LEAD OA	FY 2024 ACTUAL	FY 2025 TARGET	FY 2026 TARGET
11	Reduce the annual number of activation failures at grade crossings by 25% to 198 or fewer by FY 2030	FRA	264	260	253
12	Reduce the number of incidents involving death or major injury resulting from the transportation of hazardous materials by pipelines to 25 or fewer by FY 2026	PHMSA	26	25	25
13	Reduce the number of incidents involving death or major injury resulting from the transportation of hazardous materials by air, motor carrier, rail, or vessel to 17 or fewer by FY 2026	PHMSA/ FRA/ FAA/ FMCSA	18***	17	17
14	Maintain the commercial air carrier fatality rate per million persons on board at 4.4 or below through FY 2026	FAA	0.0	4.4	4.4
15	Maintain the general aviation fatal accident rate per 100,000 flight hours at 0.91 or below through FY 2026	FAA	0.68	0.92	0.91
16	Maintain the weighted surface safety risk index at or below 0.38 per million operations for commercial aviation through FY 2026	FAA	0.08	0.38	0.38
17	Maintain the weighted surface safety risk index at or below 1.39 per million operations for non-commercial aviation through FY 2026	FAA	0.58	1.39	1.39
18	Reduce the Northeast Corridor state of good repair backlog of $71.40B by 60% to $25.56B or less by FY 2035	FRA	$71.39B	$68.39B	$64.39B
19	Reduce the state of good repair backlog for transit revenue vehicles to 20.2% or below by FY 2030	FTA	22.4%	22.0%	21.7%
20	Maintain the percentage of Interstate pavement in fair or better condition at or above 95% through FY 2026	FHWA	97.2%**	95%	95%
21	Maintain the percentage of National Highway System bridges' deck area in fair or better condition at or above 95% through FY 2026	FHWA	96%	95%	95%
22	Maintain the percentage of paved runways in fair or better condition at 93% through FY 2026	FAA	97.4%	93%	93%
23	Ensure reliable freight movement by maintaining a Truck Travel Time Reliability Index (TTTR) at 1.43 or lower through FY 2026	FHWA	1.35	1.40	1.43
24	Start intercity passenger rail service on at least three new corridors by FY 2035	FRA	0	1	1
25	Reduce the number of transit rail stations inaccessible to persons with disabilities to 891 or fewer by FY 2030	FTA/ Department of Civil Rights (DOCR)	961	945	918
26	Reduce the number of Amtrak-served stations that are inaccessible to persons with disabilities from 86 to zero by FY 2030	FRA/DOCR	86	71	52
27	Maintain 99% commercial use availability rate for the U.S. portion of the St. Lawrence Seaway	GLS	99%	99%	99%
28	Increase the annual outlay of Port Infrastructure Development Program (PIDP) project funds to $3.3 million or more by FY 2026	MARAD	$2.7M	$2.9M	$3.3M

** CY 2024 estimate* *** CY Target* **** FY 2023 Actual*

#	PERFORMANCE GOAL	LEAD OA	FY 2024 ACTUAL	FY 2025 TARGET	FY 2026 TARGET
29	Increase the number of U.S. Flag vessels in international service from 94 vessels to 96 vessels or more by FY 2026	MARAD	94	95	96
30	Increase the United States Merchant Marine Academy (USMMA) graduating class size to 220 or more by FY 2029	MARAD	214	216	218
31	Decrease the annual number of findings to remedy per checked vessel hosting cadets from the USMMA to 2 or fewer by FY 2026	MARAD	4.0	3.0	2.0
32	Increase the annual number of air traffic controllers trained to at least 1,900 or more in FY 2026	FAA	1,576	1,800	1,900
33	Maintain the National Airspace System On-Time Arrival Rate at Core Airports at 88% or above through FY 2026	FAA	90.6%	88%	88%
34	Publish a final rule reducing the regulatory cost of the Corporate Average Fuel Economy (CAFE) Standards regulation by 2026	OST	N/A	N/A	Publish Final Rule
35	Increase the DOT Federal Information Security Modernization Act of 2014 (FISMA) Cybersecurity Score to 95/100 or more by FY 2027	Office of the Chief Information Officer (OCIO)	87	89	91
36	Increase the percentage of DOT's Information Technology (IT) budget that uses shared services to 46% or more by FY 2026	OCIO	45%	45%	46%

** CY 2024 estimate* *** CY Target* **** FY 2023 Actual*

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.

The FAA Reauthorization Act of 2024, Public Law (P.L.) 118-63, was passed on May 16, 2024, and authorizes the FAA's programmatic and financing authorities, the Airport Improvement Program (AIP) contract authority, and the authority to collect and deposit excise taxes into and make expenditures from the AATF. This new authority expires on September 30, 2028.

The Infrastructure Investment and Jobs Act (IIJA) was signed into law on November 15, 2021 (P.L. 117-58), providing $383.3 billion in funding through September 30th, 2026, 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 also authorized an additional $93.5 billion for future appropriations.

As of September 30, 2025, DOT has announced $411 billion in related grants, obligated $343.3 billion, and outlayed $189.1 billion in IIJA 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 IIJA's requirements.

The FY 2025 Reconciliation Bill (P.L. 119-21), also known as the One Big Beautiful Bill Act, was signed into law on July 4, 2025, providing $12.5 billion in appropriations for the FAA's air traffic control improvements, establishing Commercial Space Fees, and rescinded over $4 billion in unobligated balances from the FY 2022 Inflation Reduction Act (P.L. 117-169).

OVERVIEW OF FINANCIAL POSITION

ASSETS

DOT's Consolidated Balance Sheets report total assets of $331.5 billion at the end of FY 2025. The Fund Balance with Treasury (FBwT) line item made up $193.9 billion of the balance sheet and represents cash held by the U.S. Treasury for DOT's use in execution of its mission. This includes cash receipts and disbursements processed by Treasury and are available to pay DOT's liabilities and finance its purchases. Investments are reported at $90.3 billion on the balance sheet. Investments consists of U.S. Government Securities, reported at cost, net of premiums or discounts, and are held to maturity. Investment securities provide DOT with authority to draw upon the U.S. Treasury to make future expenditures.

Loans Receivable, Net made up $28.2 billion of the balance sheet and represents Direct and Guaranteed Loans to recipients, which are accounted for as receivables to DOT after funds have been disbursed.

DOT's assets reflected in the Consolidated Balance Sheet are summarized in the following table:

Dollars in Thousands

ASSETS BY TYPE	2025	%
Fund Balance with Treasury	193,870,942	58.5
Investments	90,342,456	27.2
Loans Receivable, net	28,243,334	8.5
Property, Plant, and Equipment	15,480,048	4.7
Inventory and Related Property, Net	1,286,864	0.4
Advances and Prepayments	1,266,965	0.4
Other Assets	647,632	0.2
Accounts Receivable	402,303	0.1
Total Assets	**331,540,544**	**100**

LIABILITIES

DOT's Consolidated Balance Sheet reports total liabilities of $49.3 billion at the end of FY 2025, as summarized in the table below. DOT's major liability categories included the Debt line item, with a balance of $28.7 billion, and Accrued Grant Liabilities with a balance of $13.6 billion. The Debt line item is mainly comprised of amounts owed by DOT to the U.S. Treasury and Federal Financing Bank (FFB) for borrowings needed to fund the unsubsidized portion of anticipated loan disbursements. While the Accrued Grant Liabilities represents amounts DOT owes to grantees for work performed on DOT grants which require reimbursements that have not yet been requested by recipients.

DOT's liabilities reflected in the Consolidated Balance Sheet are summarized in the following table:

Dollars in Thousands

	2025	%
Debt	28,731,018	58.2
Accrued Grant Liabilities	13,614,131	27.6
Other Liabilities	1,744,260	3.5
Advances from Others and Deferred Revenue	1,642,146	3.3
Federal Employee Salary, Leave, and Benefits Payable	1,079,442	2.2
Environmental and Disposal Liabilities	953,393	1.9
Accounts Payable	794,296	1.6
Post-employment Benefits Payable	636,724	1.3
Loan Guarantees	148,109	0.3
Total Liabilities	**49,343,519**	**100**

RESULTS OF OPERATIONS

NET COSTS

DOT's Net Cost of Operations was $130.1 billion for FY 2025, and represents DOT's Gross Costs by Program, less Earned Revenue. Surface and Air costs represent 98.5 percent of DOT's total net cost of operations. Surface transportation program costs represent the largest investment for DOT, at 78.8 percent of the net cost of operations. Air transportation is the next largest investment, at 19.7 percent of total net cost of operations.

DOT's Net Costs reflected in the Consolidated Statement of Net Cost are summarized in the following table.

Dollars in Thousands

NET COSTS	2025	%
Surface Transportation	102,533,943	78.8
Air Transportation	25,603,467	19.7
Maritime Transportation	719,717	0.6
Cross-Cutting Programs	615,351	0.4
Costs Not Assigned to Programs	615,852	0.5
Net Cost of Operations	**130,088,330**	**100**

NET POSITION

DOT's Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position report a Net Position of $282.2 billion at the end of FY 2025. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations (CRO).

Unexpended Appropriations represents funding received that remains unused at the end of the fiscal year and includes the portion of the entity's appropriations represented by undelivered orders and unobligated balances.

Unexpended Appropriations accounts for $180.3 billion of DOT's FY 2025 Net Position.

CRO represents the amount of net difference since the inception of DOT between its expenses and losses, and its financing sources. This includes appropriations, revenues, and gains. CRO accounts for $101.9 billion of DOT's FY 2025 Net Position.

DOT's Net Position is reflected in the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position as summarized in the following chart:

Did You Know This About MARAD?

The National Security Multi-Mission Vessel (NSMV) has state-of-the-art hospital facilities and the ability to berth up to 1,000 incident responders in times of humanitarian need.

(Dollars in Thousands)

NET POSITIONS	2025	%
Unexpended Appropriations	180,252,451	63.9
Cumulative Results of Operations	101,944,574	36.1
Total Net Position	**282,197,025**	**100**

RESOURCES

BUDEGTARY RESOURCES

The Combined Statement of Budgetary Resources provide information on how budgetary resources were made available to DOT for the year and their status at fiscal year-end. For FY 2025, DOT had total budgetary resources of $331.3 billion. Budgetary Resources of $331.3 billion consisted of $145.9 billion in unobligated authority carried over from previous years. Budget Authority of $185.4 billion consisting of $79.6 billion in appropriations, $89.3 billion in borrowing and contract authority, and $16.5 billion in spending authority from offsetting collections. DOT's obligations incurred totaled $177.4 billion for FY 2025.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2025, DOT had net outlays of $127.6 billion.

(Dollars in Thousands)

RESOURCES	2025
Total Budgetary Resources	331,346,650
New Obligations and Upward Adjustments	177,421,370
Agency Outlays, Net	127,550,839

HERITAGE ASSETS AND STEWARDSHIP LAND INFORMATION

Heritage assets are property, plant and equipment (PP&E) 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 PP&E. DOT'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.

DOT 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 the Office of Management and Budget (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.

Did You Know This About FRA?

FRA's budget included nearly $3B in funding to support FRA's safety, research, and financial assistance programs and $13.2B in supplemental appropriations for FRA's grant programs.

FY 2025 Federal Managers' Financial Integrity Act (FMFIA) Assurance Letter to the President

THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

January 14, 2026

The President
The White House
Washington, D.C. 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) 2025. Based on the results of the FY 2025 assessments, I conclude that the Department's systems of internal control and financial management are operating effectively.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) holds Federal managers accountable for establishing and maintaining effective internal controls and financial management systems and meeting the objectives of Sections 2 and 4 of FMFIA. All DOT organizations are subject to Sections 2 and 4 of 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 provides reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2025.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, Federal accounting standards, and the United States Standard General Ledger at the transaction level. DOT conducted its evaluation of financial management systems compliance in accordance with OMB Circular A-123. Based on the results of this assessment, DOT provides reasonable assurance that its financial management systems comply with FFMIA.

The Department will continue to pursue program integrity and efficiency enhancements as we usher in a new golden age of transportation.

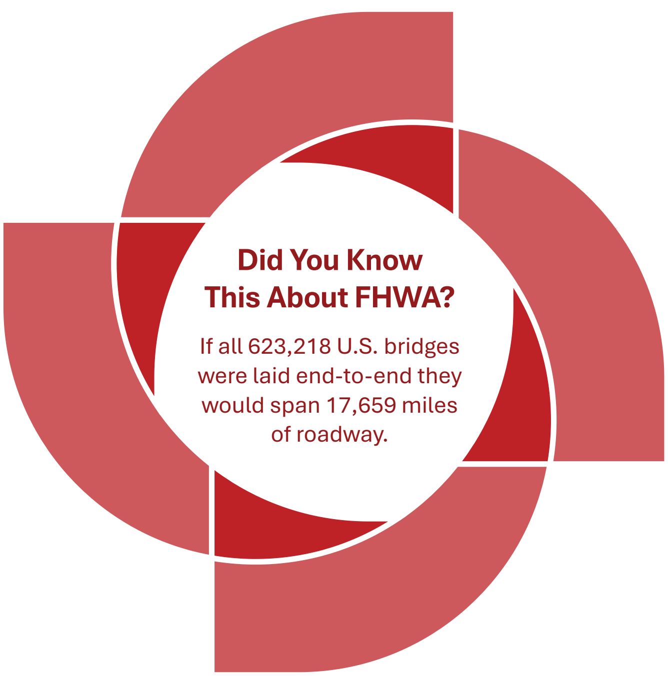
Sincerely,

Sean P. Duffy

Analysis of Entity's Systems, Controls, and Legal Compliance

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

DOT embraces its leadership role in providing critical resources to the Nation's transportation systems, transportation employees, and public citizens in a timely fashion while maintaining public trust in DOT's stewardship of the funds it provides. Effective internal controls help ensure that federal programs fulfill their intended purposes, funds are spent effectively, and assets are safeguarded. DOT management is responsible for managing risks and maintaining an effective system of internal controls to provide reasonable assurance that it achieves its intended objectives. The Statement of Assurance, as required by FMFIA, 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. For FY 2025 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, 2025.



Because OA managers are in the best position to know and understand the nature of the problems they face, they will establish appropriate control mechanisms to ensure DOT resources are sufficiently protected from fraud, waste and abuse, and to meet the intent and requirements of the FMFIA and OMB Circulars A-123. Annually, the head of each OA submits an assurance statement representing the overall adequacy and effectiveness of management controls within the organization to DOT's Office of Financial Management (OFM). Any identified material weaknesses, significant deficiencies, and/or system noncompliance are reported internally through this reporting process and corrective action plans are put into place to address the identified findings. DOT's OFM issues guidance for conducting internal control evaluations, reporting on deficiencies, and completing the OA assurance statement. In addition, DOT's OFM consolidates annual results from OAs and prepares the Departmental assurance statement for the Secretary of Transportation.

Objectives Of Control Mechanisms

FMFIA requires federal agencies to evaluate and report on the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The objectives of internal control put in place within DOT'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 2025. DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2025 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 2025 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 2025, DOT documented and assessed internal controls over a diverse array of its business processes. Appendix A activities in FY 2025 included conducting an entity, process, and transaction level assessment of the controls over reporting.
- In addition, assessments of control design effectiveness were performed on select financial management systems, including reviews of annual Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) reports that support DOT business processes.
- DOT management developed a Data Quality Plan to achieve the objectives of the Digital Accountability and Transparency Act of 2014 (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 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. In FY 2025, DOT conducted reviews 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).
- OMB designates programs with an estimated monetary loss over $100 million of improper payments as High-Priority programs. Based on that threshold, FHWA's Highway Planning and Construction Program is considered a High-Priority program subject to quarterly reporting in FY 2026 to demonstrate the progress made to improve payment integrity (see *Payment Integrity Information Act Reporting* and OMB's website for more information).

Appendix D, Management of Financial Management Systems—Risk and Compliance

- 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 2025 (see Federal Financial Management Improvement Act (*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 2025, 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.

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

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 2025.

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 the DOT, this annual evaluation is performed by the OIG using a contracted audit service provider. For FY 2025, in accordance with revised guidance issued by OMB,[1] the annual FISMA report was finalized and submitted on September 16, 2025. OIG separated its FISMA-required assessment and submission to OMB, per OMB's guidance, from a narrative audit report of cybersecurity at DOT. OIG published the narrative report on September 30, 2025, on its **website**.

In FY 2025, the DOT OST, the OAs, and OIG operated a total of 447 information systems, and 11 systems categorized as departmental high-value assets (HVAs).

FAA's air traffic control system has been designated by the President as part of the critical national infrastructure, and the Delphi financial management system has been identified as a Federal Civilian Enterprise Essential (FCEE) system as a shared service provider to other departments and agencies. Other systems owned by DOT include safety-sensitive surface transportation systems and financial systems used to manage and disburse Federal funds each year.

As reviewed in FY 2025, DOT's cybersecurity program is improving. DOT has established several information security program controls and practices that are consistent with FISMA requirements, OMB policy and guidelines, and applicable National Institute of Standards and Technology (NIST) standards and guidelines.

Consistent with its authorities under the Federal Information Technology Acquisition Reform Act (FITARA) and FISMA, the DOT OCIO continued the Department's IT transformation activity in FY 2025, 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 2025 included:

- Increased visibility into, and enhanced the accuracy and precision of, key cybersecurity metrics, inventory, and risk and compliance status through the development and deployment of real-time dashboards and reporting.
- Continued to improve the departmental comprehensive policies to fully integrate new frameworks, starting with key governance documentation such as the DOT Cybersecurity Compendium v.5.0.
- Continued implementation of priority cyber capabilities and controls including Multi-Factor Authentication (MFA) for systems and networks and strengthened contingency planning controls to safeguard mission-critical operations.
- Added dedicated resources to address prior-year audit recommendations.
- Established focused cybersecurity role-based training to sharpen skills on departmental tool suites, communication new governance processes and reinforce existing disciplines to remediate observed issues.

For FY 2026, subject to the availability of resources, DOT plans to:

- Continue advances on ensuring centralized access and visibility for the DOT's security operations center and its information systems in meeting requirements within OMB Memoranda 21-31.[2] DOT engineers are active participants in OMB Chief Information Officer's (CIO) integrated "Tiger Team" to mature new requirements for logging, log retention and log management.
- Executing Zero Trust (ZT) Projects
  - **Identity Pillar:** DOT continues to achieve application modernization efforts by advancing phishing resistant MFA adoption for DOT information systems.
  - **Network Pillar:** DOT has advanced the Secure Access Service Edge (SASE) initiative to support Trusted Internet Connections (TIC) 3 remote user and remote office modernization efforts. DOT SASE project will provide advances in secure remote access by delivering assurance in connectivity and resilience.
  - Other ZT efforts include applying governance to Enterprise ZT capabilities, device management and security with Endpoint Detection and Response (EDR), and Automation, Visibility, and Analytic modernization.
- Prioritize efforts to advance Departmental Risk Management program to include incorporating Cybersecurity Framework (CSF) community profiles, supply chain risk management and overall reducing Plans of action and milestones.

The OCIO will continue to build on past successes to further strengthen our cybersecurity posture.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The DOT remains committed to delivering reliable, secure, and efficient financial management services across its OAs. In partnership with its shared services provider, the Enterprise Services Center (ESC), DOT continues to modernize financial systems by adopting advanced technologies that strengthen transaction processing, financial reporting, and data analytics capabilities.

As a designated Federal Shared Service provider (FSSP), ESC provides a full range of financial management and operational support services to DOT and multiple federal agencies. This partnership ensures DOT meets all applicable laws, regulations, and federal mandates, while driving operational efficiency and cost savings through shared system management.

In FY 2025, DOT and ESC focused on strengthening key areas including workforce capabilities, cybersecurity, internal controls, and business process automation. These efforts are improving secure access to financial data, increasing transparency, and reinforcing DOT's stewardship of taxpayer dollars. Technology enhancements continue to support automation and improve the accuracy and timeliness of financial information.

Key achievements include the successful consolidation of its final OA into the centralized core financial system, marking a major milestone aligned with Executive Order (EO) 14249 (Protecting America's Bank Account).

DOT also implemented a new federal lease accounting module to address emerging requirements under federal lease standards. This enhancement strengthens DOT's ability to manage Right-of-Use leases and adapt to future leasing complexities.

Additional efficiency gains were achieved through automation initiatives. Reconciliation and closeout processes for financial obligations were streamlined, reducing manual effort and improving data accuracy. Robotic Process Automation (RPA) was expanded to additional agencies, accelerating the processing of miscellaneous receipts and enhancing consistency.

These initiatives reflect DOT's continued focus on improving financial management through technology and automation.

Government Invoicing (G-Invoicing) Integration

DOT has successfully implemented 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. The DOT's Project Management Office (PMO) has successfully executed the initial phases of the project and are actively working on the final phase (Migration Phase) of this endeavor which involves the migration of all ongoing IGT Buy/Sell transactions into the G-Invoicing solution. DOT is actively executing its strategy to incorporate these IGTs into the G-Invoicing Solution along with a closeout strategy for many of these agreements that will not be migrated.

Infrastructure Investment and Jobs Act Support

Since the passage of the IIJA, 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 IIJA grants. Throughout FY 2025, DOT's financial management professionals have continued efforts to ensure our financial management and grant systems are managing the increased demands on award and payment processes for IIJA grantees. As part of ongoing efforts to enhance system consistency and internal controls, DOT has also continued to invest in grants system improvements; most recently completing the development of a new analytics tool that automates the collection, processing, and consolidation of IIJA post-award information to streamline the reporting on the progress of construction-related grants. These ongoing data and technology improvements continue to improve both internal efficiency in delivering grant programs and reduced burdens for grant recipients to fulfill the administrative obligations necessary to access IIJA funds.

Do Not Pay Integration

DOT is enhancing its payment systems to align with **OMB guidelines** and **EO 14249**, which aims to protect federal payments from fraud, waste, and abuse. DOT is expanding its integration with the Department of the Treasury's Do Not Pay system to include earlier stages of the payment lifecycle, such as pre-payment review. These actions support improved payment integrity, reducing improper payments, and help ensure federal funds are only disbursed to eligible recipients.

Data Analytics

In FY 2025, DOT continued to mature and expand its data analytics capabilities to improve financial management reporting and decision-making. Through the use of data analytics, DOT was able to quickly establish new tools for effectively tracking compliance with new financial management requirements under EOs and other administrative directives. DOT also leveraged data analytics to significantly expand monitoring and reporting processes related to grants, travel, and procurement activities while simultaneously reducing costs by eliminating outdated legacy reporting tools. DOT has also continued to refine and expand the use of 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.

Go.gov Travel System Integration

DOT is adopting Go.gov (formerly E-Gov Travel Service Next Generation (ETS-Next)) under the General Services Administration (GSA)-led federal initiative to centralize and streamline federal travel planning, authorization, booking, vouchering and auditing. In November 2024, GSA awarded a 15-year contract to IBM to build and maintain the platform. IBM and GSA are working toward achieving Federal Risk and Authorization Management Program (FedRAMP) accreditation for the system. DOT plans a phased rollout for Go.gov integration with its core financial system. DOT is focused on ensuring a smooth transition from ETS2 to Go.gov with minimal disruption to travel operations.

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 (IMLS), the U.S. Commodity Futures Trading Commission (CFTC), the National Credit Union Administration (NCUA), the U.S. Government Accountability Office (GAO) (historical data), the U.S. Securities and Exchange Commission (SEC), Office of Personnel Management (OPM), Surface Transportation Board, National Endowment for the Arts (NEA) and National Council on Disability (NCD). 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. DOT and other client agencies auditors use the results of this review in their annual financial statement audits. 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.

Forward Looking Information

ENTERPRISE RISK MANAGEMENT

Beginning in 2016, OMB required agencies to implement an ERM capability and to coordinate this process with internal controls, strategic planning, and strategic reviews. Agencies are required to maintain an enterprise risk profile that identifies significant risks impacting the achievement of strategic objectives.

Every fiscal year, OST collaborates with the senior leadership at each OA to identify, assess, prioritize, and mitigate enterprise risks that may positively and negatively impact the achievement of DOT's strategic objectives.

During the FY 2025 Risk Profile update cycle, DOT identified twelve enterprise-level risks. The FY 2025 risk profile comprises six cross-cutting risks and six OA-specific risks that were given high risk ratings by their respective OAs. Due to the sensitive nature of DOT's risks and response efforts, we will discuss the highlights of the cross-cutting risks only:

ENTERPRISE RISK	MITIGATION EFFORTS
Cyber (Enterprise): IF DOT's internal systems suffer a cyberattack from malicious actors, THEN, the Department may experience a broad range of mission-impacting consequences, including compromised sensitive data integrity, diminished public service, unauthorized access, and reputational damage that could erode public trust.	The DOT has undertaken initiatives to realign and consolidate commodity functions, centralizing them based on best practices wherever practicable. It has also initiated actions to realign business processes and functions, aiming to increase transparency and improve coverage, visibility, and efficiencies in cybersecurity and IT operations. Lastly, it has implemented investments in the modernization of systems to enhance the security of DOT systems and better protect information and users. This also includes the deployment of advanced analytics and automation that will interface with Department of Homeland Security (DHS)/ Cybersecurity and Infrastructure Security Agency (CISA) for improved detection, protection, response, and mitigation capabilities against advanced cybersecurity threats. In parallel, DOT is addressing GAO-identified findings and prioritizing cybersecurity projects and funding based on possible risk impacts. Additional improvements include modernizing outdated systems, increasing system testing, and expanding cybersecurity training for staff.
Cyber (Sector): IF the Transportation Systems Sector experiences a cyberattack from malicious actors, THEN the malicious actions may impact the safety, reliability, and/or functionality of operational transportation system technologies.	DOT's Office of Sector Cyber Coordination helps make America's Transportation Systems Sector cyber-safe, cyber-secure, and cyber-resilient. The Office is working with U.S. Government partners and across DOT to integrate cybersecurity into DOT programs while avoiding overlapping, duplicative, or conflicting cybersecurity information for Transportation Sector stakeholders; develops technical tools, resources, and workshops for stakeholders to advance their cybersecurity maturity and to share cybersecurity best practices to support infrastructure development that is secure and resilient by design. In addition, the Office is administering forums within DOT to develop a unified strategy for transportation systems sector cybersecurity, partnering with DOT stakeholders and other U.S. Government agencies to develop cyber risk assessments for the transportation systems sector and provide content to communicate DOT priorities and initiatives that support transportation sector partners in addressing cyber risk to promote resilience in U.S. transportation systems. The Office plans to collaborate with OAs to convene the Cyber Coordination Council and working groups to address cross-modal cybersecurity topics and develop cybersecurity messaging, outreach materials, and mode-specific versions of the Transportation Cybersecurity Assessment Tool (T-CAT) for transportation owners/operators. The Office also plans to work with the Office of Grants and Financial Assistance and grantmaking offices on grant program manager cybersecurity requirements awareness training.

ENTERPRISE RISK	MITIGATION EFFORTS
Human Capital Gaps: IF DOT is unable to put the right people with the right skillsets in mission-critical positions, THEN DOT may not be able to accomplish its safety mission.	DOT is filling safety-related positions, such as air traffic controllers, railroad safety inspectors, and motor carrier safety specialists, with the right individuals who possess the necessary technical expertise. This is to ensure that potential safety risks are identified before those risks materialize as safety events.
Fraud: IF DOT resources or authorities are used for illicit gain, THEN the resulting loss of funds, physical harm, and reputational damage could undermine DOT's capability to responsibly achieve its strategic objectives.	DOT is implementing its Fraud Risk Management Policy by developing a fraud risk profile. In addition, DOT 1) performs strategic—as well as compliance-based Program Integrity Assessments, which include evaluations of Fraud and Improper Payment risk, 2) analyzes charge card transactions during A-123 Appendix B testing, 3) conducts judgmental sampling using data analytics during A-123 reviews, and 4) analyzes OIG investigations to report confirmed fraud annually. Also, DOT is finalizing a targeted fraud risk study of the Disadvantaged Business Enterprise (DBE) program. In addition, DOT is actively seeking best practices across government to further implement evolving fraud risk management efforts.
Grantee Technical Capacity: IF DOT's grant recipients do not have the required technical expertise to plan and execute grant-supported projects, THEN DOT might be slow to achieve its strategic objectives.	OST is taking proactive measures, such as providing tailored technical assistance, training, and regular project evaluations to strengthen the capabilities of grant recipients and ensure effective project execution. These efforts, combined with a collaborative approach, external expertise when needed, and post-project evaluations, help minimize delays, cost overruns, and ensure grants meet technical and financial requirements. Additionally, OST plans to enhance its use of data analytics and Artificial Intelligence (AI) tools to assess grantees' technical readiness before awarding grants, enabling the early identification of capacity gaps and better alignment with project requirements.
Response Needed to Address Catastrophic Event: IF a catastrophic event occurs in any mode of transportation, THEN it might result in serious injuries and fatalities, loss or damage to major transportation infrastructure, leading to significant disruptions in movement of people and goods.	DOT is prepared to respond to a catastrophic event by utilizing the All Threats, All Hazards Response and Recovery Deliberate Plan. In the event of a significant safety event, the DOT's response would focus on an immediate, coordinated, and effective Federal response to save lives, shelter the affected population, and reduce property damage in support of the affected state, local, and tribal governments. Working closely with the Federal Emergency Management Agency (FEMA), DOT is prepared to prioritize resources for response and recovery strategies based on preliminary damage assessments.

Inspector General's FY 2026 Top Management Challenges

As required by law, the DOT OIG annually delivers a report on the top management challenges facing DOT. This report is based on OIG audit and investigative work, and independent sources such as GAO reports and other available information. The report highlights challenges that DOT will need to focus on to drive progress.

The top management challenges identified by the OIG for DOT, along with DOT's responses to address those challenges, can be found in the DOT's FY 2027 Annual Performance Plan and FY 2025 APR. It is scheduled for publication on March 16, 2026 and will be available on [DOT's website](). The FY 2026 OIG Top Management Challenges and DOT's response are also presented in the Other Information section of this report.

Did You Know This About FMCSA?

FMCSA provides outreach, education, and resources to drivers, carriers, and the public on important safety issues such as distracted driving.

FINANCIAL REPORT

Message from the Acting Deputy Assistant Secretary for Budget and Programs

January 14, 2026

It is a privilege to present the fiscal year (FY) 2025 U.S. Department of Transportation (DOT or Department) Financial Statements. Throughout the year, our financial management professionals came together to meet DOT's financial goals and support our mission. The results of this exemplary work can be seen in our FY 2025 Auditors' report, which affirms an unmodified "clean" opinion for the 19th consecutive year with no material internal control weaknesses. DOT takes great pride in our stewardship of public funds, as well as providing trustworthy and reliable results and reporting. This year's audit results demonstrate our ongoing commitment to accurate and effective accounting and reporting of resources, which supports DOT's ability to execute its mission properly and efficiently.

One Big Beautiful Bill Act (OBBBA) Implementation. In FY 2025, President Trump signed the One Big Beautiful Bill Act into law. This act not only streamlines federal bureaucracy but brings jobs back to the United States and invests in America's infrastructure. During FY 2025, OBBBA provided DOT with $12.5 billion in funding to improve the Nation's air traffic control systems.

President's Executive Orders. In FY 2025, the Department made great strides in implementing President Trump's Executive Orders (EOs). Specifically, our office implemented numerous processes and procedures aimed to satisfy the President's EOs. These EOs include: "Modernizing Payments To and From America's Bank Account" and "Protecting America's Bank Account Against Fraud, Waste, and Abuse." Changes made by our office to address these EOs include: (1) consolidating all Operating Administrations (OAs) to a single core financial system; (2) working with the U.S. Department of the Treasury (Treasury) to eliminate the use of paper checks; and (3) setting the foundation to perform pre-certification checks of DOT awards and payments through Treasury's Do Not Pay Working System.

Improved Reporting and Transparency. DOT has continued to transform our financial assistance tracking processes, resulting in more transparent and detailed project-level reporting than ever before. The Department has worked collaboratively to establish innovative new internal processes and tools for automating both pre- and post-award status reporting, which has allowed us to expand coverage to more formula and discretionary programs. These improved financial assistance datasets and dashboards provide extensive access and insights into the performance of projects by location, mode of transportation, activity types, project phases, and financial status, enhancing DOT's stewardship of taxpayer resources and driving continuous improvements towards efficient and effective implementation of these programs. In addition, the Department successfully compiled a comprehensive financial assistance program inventory, which will provide more transparent public reporting of awards and spending under unique assistance listing numbers (ALNs) for each program going forward.

Implementing Enhanced Fraud Risk Management Practices. 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; to prevent improper payments; and to reduce the risks of fraud, waste, and abuse. During FY 2025, the Office of the Secretary of Transportation's Office of the Chief Financial Officer issued a new policy requiring OAs formalize their governance over fraud risk management activities, develop and maintain a fraud risk profile, and conduct regular fraud risk assessments of its programs and business processes. OAs subsequently initiated actions to implement the policy including identifying accountable officials and establishing plans to develop a fraud risk profiles in FY 2026. The OA fraud risk profiles will document an OA's responses to its most significant fraud risk. They will leverage recent assessments and identify areas for assessment.

Financial Management Systems Enhancements. DOT remains committed to delivering sound financial management services while strengthening our cybersecurity posture to meet evolving federal regulations and directives governing critical systems. In FY 2025, DOT expanded automation tools like Robotic Process Automation (RPA), significantly improving data accuracy and financial reporting integrity, operational efficiency, timeliness, and audit reliability. As part of the Department's ongoing implementation of Government Invoicing (G-Invoicing), DOT partnered closely with vendors to introduce target enhancements that support Working Capital Fund (WCF) transactions and Seller Facilitated Orders. These changes reduce interdepartmental elimination discrepancies and strengthen the precision of DOT's financial reporting. Additionally, DOT collaborated to federalize the Oracle Property Manager module, which will be ready for operational use in FY 2026. This will enable greater automation and ensure full compliance with the federal lease mandate for Right of Use Leases.

Ensuring Program Effectiveness. In FY 2025, the Department published the FY 2026 Annual Performance Plan, which sets performance goals that align with the Administration's priorities and defines the level of performance for the Department to achieve. It provides information about the Department's plans for continued progress toward fulfilling its mission. Meanwhile, the Department is developing the *FY 2026-2030 Strategic Plan* for release in spring 2026, which will set the long-term goals DOT aims to achieve, and the actions DOT will take to realize those goals.

During FY 2025, DOT continued making strides to systematically build evidence to inform policy, regulatory, and operational decisions. One advancement was the release of the FY 2026 Evaluation Plan that includes commitments to conduct evaluations on key topics, including airspace modernization, improving safety on roadways and at railroad crossings, and the development of port infrastructure.

DOT is proud to have received its 19th consecutive clean audit opinion, and we acknowledge there is continued room for improvement. During the FY 2025 Audit there was one significant deficiency related to weaknesses in General Information Technology Controls identified by our auditors. DOT plans to address and remediate the identified significant deficiency in our financial management environment by working with our Office of the Chief Information Officer (OCIO) to identify and implement the necessary corrective actions required to ensure prompt resolution.

Sincerely,

Devin Ure

Office of Inspector General Quality Control Review

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: January 16, 2026

Subject: ACTION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Year 2025 | Report No. QC2026011

From: Mitch Behm
Deputy Inspector General performing the duties of the 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 year 2025.

We contracted with the independent public accounting firm KPMG LLP to audit DOT's consolidated financial statements as of and for the fiscal year ended September 30, 2025, 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, IT, and Procurement Audits.

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

[1] GAO, *Financial Audit Manual*, volume 1 (GAO-25-107705), dated June 2025; volume 2 (GAO-25-107279), June 2024; volume 3 (GAO-25-107707), August 2025.

QC2026011 1

Office of Inspector General Quality Control Review (CONT.)

Federal Aviation Administration Audit Liaison, AAE-001
Federal Highway Administration Audit Liaison, HCFB-32
Federal Transit Administration Audit Liaison, TBP-31

Office of Inspector General Quality Control Review (CONT.)

Independent Auditors' Report

In its report dated January 14, 2026, KPMG states that:

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

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

Significant Deficiency

Weaknesses in General Information Technology Controls

KPMG found access control deficiencies within various systems at the Federal Highway Administration. Specifically,

- Controls were not designed and implemented to ensure unique identification of privileged users on the database.
- Controls over developer access to certain systems, including controls associated with privileged user access recertification and segregation of duties were not effectively designed.

[2] The consolidated financial statements are included in DOT's Agency Financial Report. For DOT's full Agency Financial Report, which includes these statements, related notes, and required supplementary information, go to https://www.transportation.gov/mission/budget/financial-management.

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

[4] A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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.

QC2026011 3

Office of Inspector General Quality Control Review (CONT.)

- Controls over access to certain systems, including controls associated with user access recertification were not designed, implemented or operating effectively.

Recommendations

KPMG made the following recommendations to help strengthen DOT's general information technology controls. KPMG recommends that DOT management:

1. Implement processes to perform administrative functions without the use of shared accounts.
2. Design and implement controls over privileged developer access to certain systems, including periodic recertification of accounts and enforcing segregation of duties.
3. Design, implement, and re-enforce requirements for controls to consistently approve and document recertification requests as required by internal policy and standards for effective internal control systems.

Quality Control Review

We performed a QCR of KPMG's report, dated January 14, 2026, 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 January 9, 2026, and received DOT's response, dated January 14, 2026 (see attachment 2). DOT agreed with the deficiencies KPMG found. DOT also concurred with KPMG's three recommendations and committed to developing a corrective action plan to

Office of Inspector General Quality Control Review (CONT.)

address the deficiencies by March 2, 2026. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

We consider all three 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 Deputy Inspector General, performing the duties of the 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 United States Department of Transportation (Department), which comprise the consolidated balance sheet as of September 30, 2025, and the related consolidated statements of net cost and changes in net position, and combined statement of budgetary resources for the year 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, 2025, and its net cost, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit 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. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

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

Responsibilities of Management for the Consolidated Financial Statements

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

Independent Auditors' Report (CONT.)

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. 24-02 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. 24-02, 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the DOT's ability to continue as a going concern for a reasonable period of time.

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 audit 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 Acting Deputy Assistant Secretary for Budget and Programs, and Other Information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial

2

Independent Auditors' Report (CONT.)

KPMG

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.

Other Reporting Required by Government Auditing Standards

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, 2025, 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 deficiencies in internal control, described in Exhibit I, as item 2025-01, that we consider to be a significant deficiency.

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, 2025 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. 24-02.

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.

3

Independent Auditors' Report (CONT.)

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 Auditor's 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 Other 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
January 14, 2026

4

Independent Auditors' Report (CONT.)

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

EXHIBIT I
SIGNIFICANT DEFICIENCY

2025 - 01: Weaknesses in General Information Technology Controls

Background

The Department utilizes various information technology systems to carry out its mission and to compile amounts recorded in its 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 user profile and access control system to manage user access to various applications within the FHWA environment and a system to award and manage grant funding.

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 periodically comparing resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

Further, 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 within the systems mentioned above as follows:

- Controls were not designed and implemented to ensure unique identification of privileged users on the database.
- Controls over developer access to certain systems, including controls associated with privileged user access recertification and segregation of duties were not effectively designed.
- Controls over access to certain systems, including controls associated with user access recertification were not designed, implemented or operating effectively.

Cause

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

Effect

User accounts with inappropriate access or unapproved changes 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.

I-1

Independent Auditors' Report (CONT.)

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

EXHIBIT I
SIGNIFICANT DEFICIENCY

Recommendations

We recommend that management:

- Implement processes to perform administrative functions without the use of shared accounts.
- Design and implement controls over privileged developer access to certain systems, including periodic recertification of accounts and enforcing segregation of duties.
- Design, implement, and re-enforce requirements for controls to consistently approve and document recertification requests as required by internal policy and standards for effective internal control systems.

Management's Response to the Independent Auditors' Report

U.S. Department of Transportation

Office of the Secretary of Transportation

Assistant Secretary for Budget and Programs and Chief Financial Officer

1200 New Jersey Avenue, S.E.
Washington, DC 20590

Subject: Management Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2025

From: Devin Ure DEVIN LEE URE 2026.01.14 06:31:34 -05'00'
Acting Deputy Assistant Secretary for Budget and Programs

To: Mitchell Behm
Deputy Inspector General, performing the duties of the Inspector General

James Gould
Partner, KPMG LLP

CC: Daniel King, Acting Deputy Chief Financial Officer

I am pleased to respond to the report on the Department of Transportation's (DOT) Consolidated Financial Statements. Our financial management professionals worked tirelessly this fiscal year to ensure the agency was successful in achieving its mission and financial management objectives. We continue to take pride in our ability to sustain strong and vigilant financial management, as demonstrated in our achievement of an unmodified audit opinion.

We view the audit as an opportunity for continuous improvement as we promote the prudent, effective, and efficient use of funds across the Department. This can be seen in DOT's remediation of numerous previously issued findings while still working on clearing our only significant deficiency, which was reissued from the previous fiscal year audit. We concur with the significant deficiency contained in the report related to weaknesses in General Information Technology Controls, due to user profile and access control deficiencies within various DOT systems. We also concur with your 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 March 2, 2026.

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

Please refer questions to the Acting Deputy Chief Financial Officer, Mr. Daniel King (daniel.king@dot.gov).

Principal Financial Statements

INTRODUCTION

The principal financial statements have been prepared to report the financial position and results of the Department of Transportation's (DOT's or Department'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 (GMRA) and the Reports Consolidation Act of 2000. 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 Office of Management and Budget (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 Sheet**, as of September 30, 2025, presents 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 Statement of Net Cost**, presents the net cost of DOT operations for the fiscal year that ended September 30, 2025. DOT's net cost of operations includes the gross costs incurred by DOT less any exchange revenue earned from DOT activities.

The **Consolidated Statement of Changes in Net Position** presents 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 year that ended September 30, 2025.

The **Combined Statement of Budgetary Resource** present the budgetary resources available to DOT during the fiscal year that ended September 30, 2025; and the status of these resources and the net outlay of budgetary resources for the fiscal year that ended September 30, 2025.

The **Notes to the Financial Statement** 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 SHEET

As of September 30, 2025 *Dollars in Thousands*

	2025
Assets	
Intragovernmental	
Fund Balance with Treasury (Note 2)	$ 193,870,942
Investments, Net (Note 3)	90,342,456
Accounts Receivable, Net (Note 4)	70,417
Advances and Prepayments (Note 5)	60,246
Other Assets (Note 10)	322,822
Total Intragovernmental	**284,666,883**
Other than Intragovernmental	
Accounts Receivable, Net (Note 4)	331,886
Loans Receivable, Net (Note 6)	28,243,334
Inventory and Related Property, Net (Note 7)	1,286,864
Property, Plant and Equipment, Net (Note 8)	15,480,048
Advances and Prepayments (Note 5)	1,206,719
Other Assets (Note 10)	324,810
Total Other than Intragovernmental	**46,873,661**
Total Assets	**$ 331,540,544**
Stewardship Property, Plant and Equipment (Note 9)	
Liabilities (Note 11)	
Intragovernmental	
Accounts Payable	$ 34,683
Debt (Note 12)	28,731,018
Advances From Others and Deferred Revenue	1,309,696
Other Liabilities (Note 16)	1,074,051
Total Intragovernmental	**31,149,448**
Other than Intragovernmental	
Accounts Payable	759,613
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	1,079,442
Post-employment Benefits Payable (Note 13)	636,724
Environmental and Disposal Liabilities (Note 14 and Note 18)	953,393
Loan Guarantee Liabilities (Note 6)	148,109
Advances From Others and Deferred Revenue	332,450
Other Liabilities	
Accrued Grant Liabilities (Note 15)	13,614,131
Other (Note 16)	670,209
Total Other than Intragovernmental	**18,194,071**
Total Liabilities	**$ 49,343,519**
Commitments and Contingencies (Note 18)	
Net Position	
Unexpended Appropriations - Funds From Dedicated Collections (Consolidated) (Note 19)	$ 1,101,224
Unexpended Appropriations - Funds from Other than Dedicated Collections (Consolidated)	179,151,227
Total Unexpended Appropriations (Consolidated)	180,252,451
Cumulative Results of Operations - Funds From Dedicated Collections (Consolidated) (Note 19)	89,507,415
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated)	12,437,159
Total Cumulative Results of Operations (Consolidated)	101,944,574
Total Net Position	**282,197,025**
Total Liabilities and Net Position	**$ 331,540,544**

The accompanying notes are an integral part of these financial statements.

U. S . DEPARTMENT OF TRANSPORTATION | CONSOLIDATED STATEMENT OF NET COST

For the Year Ended September 30, 2025 *Dollars in Thousands*

	2025
Program Costs	
SURFACE TRANSPORTATION	
Gross Costs	$ 103,898,650
Less: Earned Revenue	1,364,707
Net Program Costs	**102,533,943**
AIR TRANSPORTATION	
Gross Costs	26,433,361
Less: Earned Revenue	829,894
Net Program Costs	**25,603,467**
MARITIME TRANSPORTATION	
Gross Costs	1,488,585
Less: Earned Revenue	768,868
Net Program Costs	**719,717**
CROSS-CUTTING PROGRAMS	
Gross Costs	804,704
Less: Earned Revenue	189,353
Net Program Costs	**615,351**
Costs Not Assigned to Programs	620,233
Less: Earned Revenues Not Attributed to Programs	4,381
Net Cost of Operations	**$ 130,088,330**

The accompanying notes are an integral part of these financial statements.

U. S . DEPARTMENT OF TRANSPORTATION | CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Year Ended September 30, 2025 *Dollars in Thousands*

	2025 FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED) (NOTE 19)	2025 FUNDS FROM OTHER THAN DEDICATED COLLECTIONS (CONSOLIDATED)	CONSOLIDATED TOTAL
UNEXPENDED APPROPRIATIONS			
Beginning Balance	$ 920,067	$ 151,633,065	$ 152,553,132
Appropriations Received (Note 1W)	1,389,633	65,742,033	67,131,666
Appropriations Transferred-in/(out)	-	(1,785)	(1,785)
Other Adjustments	(18,487)	(4,593,923)	(4,612,410)
Appropriations Used	(1,189,989)	(33,628,163)	(34,818,152)
Net Change in Unexpended Appropriations	181,157	27,518,162	27,699,319
Total Unexpended Appropriations	**1,101,224**	**179,151,227**	**180,252,451**
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balance	112,633,261	12,284,265	124,917,526
Other adjustments	(43,476)	(50,062)	(93,538)
Appropriations Used	1,189,989	33,628,163	34,818,152
Non-exchange Revenue (Note 20)	71,394,460	10,255	71,404,715
Donations/Forfeitures of Cash/Cash Equivalents	779	-	779
Transfers-in/(out) Without Reimbursement	(1,111,039)	974,154	(136,885)
Donations and Forfeitures of Property	-	15,472	15,472
Imputed Financing	1,307,196	127,142	1,434,338
Other	(194,079)	(133,576)	(327,655)
Net Cost of Operations	95,669,676	34,418,654	130,088,330
Net Change in Cumulative Results of Operations	(23,125,846)	152,894	(22,972,952)
Total Cumulative Results of Operations	**89,507,415**	**12,437,159**	**101,944,574**
Net Position	**$ 90,608,639**	**$ 191,588,386**	**$ 282,197,025**

The accompanying notes are an integral part of these financial statements.

U. S . DEPARTMENT OF TRANSPORTATION | COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Year Ended September 30, 2025 *Dollars in Thousands*

	2025 BUDGETARY	2025 NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS
Budgetary Resources (Note 21)		
Unobligated Balance From Prior Year Budget Authority, Net	$ 145,776,319	$ 147,790
Appropriations (Note 1W)	79,577,982	266
Borrowing Authority	-	7,101,524
Contract Authority	82,235,842	-
Spending Authority From Offsetting Collections	15,699,629	807,298
Total Budgetary Resources	**$ 323,289,772**	**$ 8,056,878**
Status of Budgetary Resources		
New Obligations and Upward Adjustments	$ 169,538,770	$ 7,882,600
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	123,349,601	12,548
Unapportioned, Unexpired Accounts	29,804,879	161,730
Unexpired Unobligated Balance, End of Year	153,154,480	174,278
Expired Unobligated Balance, End of Year	596,522	-
Unobligated Balance, End of Year	**153,751,002**	**174,278**
Total Budgetary Resources	**$ 323,289,772**	**$ 8,056,878**
Outlays, Net, and Disbursements, Net		
Outlays, Net	$128,806,173	
Distributed Offsetting Receipts	(1,255,334)	
Agency Outlays, Net	**$ 127,550,839**	
Disbursements, Net		**$ 6,113,332**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

NOTES TO THE PRINCIPAL FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

DOT 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.

DOT 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.

DOT 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. DOT'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 OAs):

- **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 OA of DOT. However, GLS's financial information is not consolidated into the DOT consolidated financial statements as the dollar value of its activities is not material to that of DOT 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 DOT's financial position and results of operations, as required by the CFO Act and Title IV of the GMRA. The statements have been prepared from the DOT books and records in accordance with 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 Sheet 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 date. 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. Agency liabilities include both those covered by budgetary resources, those not covered by budgetary resources, and those not requiring budgetary resources.

The Consolidated Statement 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 DOT, as a whole for the reporting period.

The Consolidated Statement 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.

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

The Combined Statement 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 2025.

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 22.

On the Consolidated Balance Sheet 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 19 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 2025. 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 OA to incur obligations in support of agency programs. For FY 2025, DOT 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.). 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

DOT's consolidated financial statements are prepared in accordance with all applicable accounting principles and standards developed and issued by Federal Accounting Standards Advisory Board (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 DOT to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) requirements at the transaction level.

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

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

E. Fund Balance with Treasury

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

DOT does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The funds with the U.S. Treasury are appropriated, revolving, and trust funds that are available to pay liabilities and finance authorized purchases. Lockboxes have been established with financial institutions to collect certain payments, and these funds are transferred directly to the U.S. Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

F. Investments in U.S. Government Securities

Investments, consisting of U.S. Government Securities, are reported at cost, adjusted for amortized cost, net of premiums or discounts, and are held to maturity. Premiums or discounts are amortized into interest income over the term of the investment using the interest method. DOT 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 DOT 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 DOT'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.

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

I. Property, Plant, 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. 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. Leases

A lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of property, plant, or equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. DOT is both a lessee and a lessor.

DOT has intragovernmental leases, short-term non-intragovernmental leases, contracts or agreements that transfer ownership, and right-to use leases. DOT intragovernmental leases are primarily with the General Services Administration (GSA) of which DOT occupies certain real property that is leased from GSA. DOT short-term non-intragovernmental leases are 24 months or less based on contractual agreements with non-GSA lessors. Intragovernmental and short-term non-intragovernmental leases are expensed. A contract or agreement that transfers ownership of the underlying asset to DOT by the end of the contract or agreement and does not contain options to terminate is reported as a purchase of that asset by DOT. The right-to use leases are for non-intragovernmental, non-short-term contracts or agreements, when DOT has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. DOT, as a lessee, recognizes a right-to-use lease asset and lease liability at the commencement of the lease term when the total undiscounted payment exceeds $250 thousand, however, recognition at lesser amounts is permitted at the OA level. The right-to-use lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset, except when the lease contains a purchase option that is probable to be exercised. If the purchase option is probable, then the right-to-use asset is amortized over the useful life of the asset without regard to the lease term. The straight line method is utilized and is separately disclosed from other property, plant, and equipment. The lease liability is measured at the present value of payments expected to be made during the lease term using the market interest rate (See Notes 8 and 17).

DOT, as a lessor, recognizes a right-to-use lease receivable and unearned revenue at the commencement of the lease term unless it is a non-intragovernmental short-term lease (i.e., a lease term of 24 months or less), contract or agreement that transfers ownership, or intragovernmental lease. The lease receivable and unearned revenue are initially measured at the present value of lease payments to be received for the lease term, reduced by any provision for uncollectible amounts. The unearned revenue is then amortized over the lease term and recognized as earned revenue.

Statement of Federal Financial Accounting Standards (SFFAS) 62, *Transitional Amendment to SFFAS 54*, amends the implementation section of SFFAS Number 54, *Leases*, by providing transitional accommodations to reporting entities for embedded leases. Embedded leases are contracts or agreements that contain both lease components and non-lease components, such as service components, and serve a primary purpose attributable to the non-lease components. DOT has elected to account for such contracts or agreements, including the lease components, as non-lease contracts or agreements in their entirety during the transitional period. DOT has elected to implement the recording of embedded leases beginning October 1, 2026 (FY 2027).

K. 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 relate to the FRA advances provided to Amtrak.

L. Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities, which are covered by available budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of an unfunded liability is actuarial

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

liabilities for future Federal Employees' Compensation Act (FECA) 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).

M. Grant Accrual

DOT 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 DOT, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. DOT also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. In addition, DOT recognizes in certain instances, an accrual to estimate expenses and a related reduction of advances to others and prepayments. Grant expenses, including associated administrative costs, are included within the respective programs within the Consolidated Statement of Net Cost.

N. 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.

DOT has entered into contractual commitments that require future use of financial resources, specifically for long-term lease obligations. DOT is committed to various leases primarily covering administrative office space, technical facilities and fleet vehicles with GSA and other vendors, when granted the authority. Specifically, FAA and MARAD have general procurement provisions, pursuant to U.S.C. Title 49 Section 40110(c)(1) and Title 46 Section 50303, respectively. Leases may contain escalation clauses tied to changes in inflation, taxes or renewal options. Although most have short termination arrangements, DOT intends to remain in the leases. Depending on terms, the leases are either recorded as intragovernmental, short-term non-intragovernmental, and right-to-use leases (See Note 17).

O. 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.

P. 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.

Q. Federal Employees Health Benefit (FEHB) Program

Most DOT 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. DOT has recognized the employer cost of these postretirement benefits for covered employees as an imputed cost.

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

R. Federal Employees Group Life Insurance (FEGLI) Program

Most DOT employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and DOT 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 DOT's contributions for basic life coverage to the preretirement portion of coverage, DOT has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost.

S. Federal Employees Compensation Act Benefits

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

T. 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.

U. 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 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 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.

V. 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 DOT 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.

W. 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

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

the Army, U.S. Army Corps of Engineers, Internal Revenue Service (IRS), U.S. Department of Housing and Urban Development, Denali Commission, U.S. Department of Navy, U.S. Department of the Air Force, U.S. Department of Agriculture, U.S. Department of Treasury, and the Appalachian Regional Commission.

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

X. 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, 2025 financial statements reflect excise taxes certified by the IRS through June 30, 2025 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2025 to September 30, 2025, as specified by SFFAS 7, *Accounting for Revenue and Other Financing Sources*. The HTF and AATF receive their budget authority in the form of contract authority and direct appropriations. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

Appropriations (Financing Source)

As a component of the U.S. Government-wide reporting entity, 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.

The FAA Reauthorization Act of 2024, Public Law (P.L.) 118-63, was passed on May 16, 2024 and authorized the FAA's programmatic and financing authorities, the Airport Improvement Program (AIP) contract authority, and the authority to collect and deposit excise taxes and make expenditures from the AATF. This authority expires on September 30, 2028.

The Infrastructure Investment and Jobs Act (IIJA) 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 also authorized an additional $93.5 billion for future appropriations. The IIJA also provided funding for surface transportation further extending the HTF authorization through September 30, 2026.

The FY 2025 Reconciliation Bill (P.L. 119-21), also known as the One Big Beautiful Bill Act (OBBBA), was signed into law on July 4, 2025, providing $12.5 billion in appropriations for the FAA's air traffic control improvements, establishing Commercial Space Fees, and rescinded over $4 billion in unobligated balances from the FY 2022 Inflation Reduction Act (P.L. 117-169).

Effective October 1, 2025, DOT is operating under a continuing resolution (CR), P.L. 119-37, to continue Government operations. The CR will be in effect through January 30, 2026 unless superseded by enactment of specified appropriations legislation and includes a provision that allows the DOT to continue spending at FY 2025 rates.

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

Y. Non-Entity Activity

The Metropolitan Washington Airports Authority (MWAA) and the United States of America, acting by and through the Secretary of Transportation, entered into a lease, dated March 2, 1987, and effective July 7, 1987, whereby the Secretary leased the Metropolitan Washington Airports (Ronald Reagan Washington National Airport (DCA) and Dulles International Airport) to the Airports Authority. The FAA collects the lease payments from the Airports Authority on behalf of the General Fund of the U.S. Government.

A lessor lease receivable (lease asset) and unearned revenue (lease liability) is recognized and initially measured at the present value of lease payments to be received for the lease term and amortized over the term of the lease. Because lease payments from the MWAA are collected by the FAA on behalf of the General Fund, the lease receivable (lease asset) and the unearned revenue (lease liability) are reported as a non-entity asset and non-entity liability, respectively. A liability for non-entity assets to the General Fund is recorded to offset the non-entity lease asset (lease receivable)and an asset for non-entity liabilities of the General Fund is recorded to offset the non-entity lease liability (unearned revenue). Lessor revenues are reported on the Statement of Net Cost as non-entity program revenues and are offset by other financing sources on the Statement of Net Position.

Z. Fiduciary Activities

Fiduciary assets and liabilities are not assets and liabilities of DOT and, as such, are not recognized on the Balance Sheet. The MARAD Title XI Escrow Fund contains fiduciary activity as detailed in Note 24.

AA. Taxes

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

AB. Classified Activities

SFFAS 56, *Classified Activities*, 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.

AC. Subsequent Events

SFFAS 39, *Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards* and OMB Circular A-136, *Financial Reporting Requirements* require agencies to disclose significant subsequent events or transactions that have a material effect on the financial statements. SFFAS 39 defines subsequent events as “events or transactions that affect the basic information or Required Supplementary Information (RSI) that occur subsequent to the end of the reporting period but before the financial report is issued.”

DOT identifies and assesses any changes that occurred after September 30, 2025, but before the issuance of financial statements and evaluates whether these changes materially impact financial information. Upon identification and assessment of a material subsequent event, DOT records or discloses this information to fairly and accurately present its financial statement and notes.

NOTE 2. FUND BALANCE WITH TREASURY

FBwT as of September 30, 2025 consists of the following:

Dollars in Thousands

STATUS OF FUND BALANCE WITH TREASURY	2025
Unobligated Balance	$ 125,457,685
Obligated Balance Not Yet Disbursed	68,177,853
Non-Budgetary Fund Balance with Treasury	235,404
Total	**$ 193,870,942**

FBwT are the aggregate amounts of DOT's accounts with Treasury for which DOT is authorized to make expenditures and pay liabilities. FBwT is an asset to 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 Statement of Budgetary Resources.

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 FBwT, 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 FBwT. 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 FBwT; however, their balances will be transferred from the trust fund to FBwT over time to liquidate obligated balances and unobligated balances as they become obligated, and thus are necessarily included in the Status of FBwT.

NOTE 3. INVESTMENTS

Investments as of September 30, 2025 consist of the following:

Dollars in Thousands

INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS	COST/ACQUISITION VALUE	AMORTIZED DISCOUNT	INVESTMENTS (NET)	MARKET VALUE
Marketable	$ 56,480	$ (316)	$ 56,164	$ 56,354
Non-Marketable: Par Value	87,512,858	-	87,512,858	87,512,858
Non-Marketable Market-Based	2,649,754	(12,476)	2,637,278	2,643,555
Subtotal	**90,219,092**	**(12,792)**	**90,206,300**	**90,212,767**
Accrued Interest Receivable	136,156	-	136,156	-
Total Intragovernmental Securities and Investments	**$ 90,355,248**	**$ (12,792)**	**$ 90,342,456**	**$ 90,212,767**

Investments include non-marketable 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 DOT in non-marketable par value Treasury securities. DOT investments are considered investment authority and are available to offset the cost of operations to the extent authorized by the Congress. As of September 30, 2025, $87.5 billion was invested respectively in U.S. Treasury Certificates of Indebtedness. Non-marketable 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.

Non-marketable 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 non-marketable market-based and marketable securities using the interest method.

NOTE 3. INVESTMENTS (CONT.)

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. Non-marketable par value Treasury securities are issued to DOT as evidence of these receipts. These securities provide DOT with authority to draw upon the U.S. Treasury to make future expenditures. When DOT requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures, in the same way that the Government finances all other expenditures.

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

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2025 consist of the following: *Dollars in thousands*

	GROSS AMOUNT DUE	ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS	NET AMOUNT DUE
Intragovernmental			
Accounts Receivable	$ 71,961	$ (1,544)	$ 70,417
Total Intragovernmental	**71,961**	**(1,544)**	**$ 70,417**
Other than Intragovernmental			
Accounts Receivable	496,219	(171,655)	324,564
Accrued Interest	13,370	(6,048)	7,322
Total Other than Intragovernmental	**509,589**	**(177,703)**	**331,886**
Total Accounts Receivable	**$ 581,550**	**$ (179,247)**	**$ 402,303**

The other than intragovernmental accounts receivable, net includes $3.5 million non-entity accounts receivable. The $3.5 million non-entity accounts receivable, net is interest receivable from the lease arrangement with the MWAA. See Note 10 Other Assets for additional information.

NOTE 5. ADVANCES AND PREPAYMENTS

Advances and Prepayments consist of the following as of September 30, 2025:

Dollars in Thousands

	2025
Intragovernmental	
Advances to Others and Prepayments	$ 60,246
Total Intragovernmental	**$ 60,246**
Other than Intragovernmental	
Advances to States for Right of Way	$ 252
Advances to Others and Prepayments	1,206,467
Total Other than Intragovernmental	**$ 1,206,719**

Intragovernmental Advances to Others and Prepayments are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received. Other than Intragovernmental Advances to Others and Prepayments are comprised of advances to states, employees, grantees, and contractors, for expenses not yet incurred and services not yet received. The $1.2 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.

NOTE 6. LOANS RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

The 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.

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

DOT does not have any Pre-1992 loans. All DOT loans are Post-1991.

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.

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 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.

2. The Railroad Rehabilitation and Improvement Financing (RRIF) 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.

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, DOT 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

Dollars in Thousands

DIRECT LOAN PROGRAMS	2025 LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY COST (PRESENT VALUE)	VALUE OF ASSETS RELATED TO DIRECT LOANS, NET
(1) TIFIA Loans	$ 26,360,842	$ 191,596	$ 166,635	$ (1,903,849)	$ 24,815,224
(2) RRIF Program	3,086,782	9,123	-	(129,651)	2,966,254
(3) Federal Ship Financing Fund (Title XI)	301,423	-	-	(3,268)	298,155
Total	**$ 29,749,047**	**$ 200,719**	**$ 166,635**	**$ (2,036,768)**	**$ 28,079,633**

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

Total Amount of Direct Loans Disbursed

(Post-1991)

DIRECT LOAN PROGRAMS	2025
(1) TIFIA Loans	$ 6,533,065
(2) RRIF Program	709,481
(3) Federal Ship Financing Fund (Title XI)	-
Total	$ 7,242,546

Subsidy Expense for Direct Loans by Program and Component

Subsidy Expense for New Direct Loans Disbursed

DIRECT LOAN PROGRAMS	2025 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER SUBSIDY COSTS	TOTAL
(1) TIFIA Loans	$ -	$ 112,876	$ -	$ (37,552)	$75,324
(2) RRIF Program	-	19,405	-	(5,789)	13,616
(3) Federal Ship Financing Fund (Title XI)	-	-	-	-	-
Total	$ -	$ 132,281	$ -	$ (43,341)	$88,940

DIRECT LOAN PROGRAMS	2025 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
(1) TIFIA Loans	$ -	$ 304,830	$ 301,823	$ 606,653
(2) RRIF Program	-	4,947	27,699	32,646
(3) Federal Ship Financing Fund (Title XI)	1,271	597	(50)	547
Total	$ 1,271	$ 310,374	$ 329,472	$ 639,846

Total Direct Loan Subsidy Expense

DIRECT LOAN PROGRAMS	2025
(1) TIFIA Loans	$681,977
(2) RRIF Program	46,261
(3) Federal Ship Financing Fund (Title XI)	1,818
Total	$ 730,056

Budget Subsidy Rates for Direct Loans for the Current Year Cohort

DIRECT LOAN PROGRAMS	2025 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
(1) TIFIA Loans Risk Category 1	-0.30%	1.65%	0.00%	0.00%	1.35%
(2) RRIF Program	0.06%	1.54%	0.00%	0.00%	1.60%
(3) Federal Ship Financing Fund (Title XI)	-4.14%	13.69%	-5.50%	0.00%	4.05%

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

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

Schedule for Reconciling Subsidy Cost Allowance Balances

(Post-1991 Direct Loans)

Dollars in Thousands

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2025
Beginning Balance of the Subsidy Cost Allowance	$ 1,435,447
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component	
Default Costs (Net of Recoveries)	132,281
Other subsidy costs	(43,341)
Total of the Above Subsidy Expense Components	**88,940**
Adjustments	
Loan modifications	1,271
Fees received	10
Subsidy Allowance Amortization	(128,746)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**1,396,922**
Add or Subtract Subsidy Reestimates by Component	
Interest Rate Reestimate	310,374
Technical/Default Reestimate	329,472
Total of the Above Reestimate Components	**639,846**
Ending Balance of the Subsidy Cost Allowance	**$ 2,036,768**

The TIFIA program's upward and downward re-estimates were the result of reassessment of risk levels using updated actual cash flows and changes in technical information (default rates, rating information, recoveries, etc.). The assessment of subsidy costs for FCRA loans and loan guarantees are intended to estimate the long-term cost to the U.S. government of such loans and loan guarantees.

The RRIF program's upward and downward re-estimates were the result of an update for actual cash flows and changes in technical assumptions. The assessment of subsidy costs for FCRA loans and loan guarantees are intended to estimate the long-term cost to the U.S. government of such loans and loan guarantees.

The upward reestimate on the Federal Ship Financing Fund (Title XI) FFB Loan Guarantees was the result of a loan modification in addition to updates to the default curve methodology. The result of an acquisition by a lower-rated credit entity, this upward reestimate was offset by a $50k downward technical reestimate. The technical reestimate is attributed to a different borrower's upgraded risk rating.

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

GUARANTEED LOANS

Defaulted Guaranteed Loans from Post-1991 Guarantees

LOAN GUARANTEE PROGRAMS	2025 DEFAULTED GUARANTEED LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY COST (PRESENT VALUE)	ASSETS RELATED TO DEFAULT GUARANTEED LOANS RECEIVABLE, NET
(3) Federal Ship Financing Fund (Title XI)	$ 163,701	$ -	$ -	$ -	$ 163,701
(4) OST MBRC	724	72	-	(796)	-
Total	**$ 164,425**	**$ 72**	**$ -**	**$ (796)**	**$ 163,701**

Guaranteed Loans Outstanding

LOAN GUARANTEE PROGRAMS	2025 OUTSTANDING PRINCIPAL OF GUARANTEED LOANS, FACE VALUE	AMOUNT OF OUTSTANDING PRINCIPAL GUARANTEED
(3) Federal Ship Financing Fund (Title XI)	$ 801,108	$ 801,108
Total	**$ 801,108**	**$ 801,108**

Liability for Loan Guarantees (Present Value Method)

LOAN GUARANTEE PROGRAMS	2025 LIABILITIES FOR POST-1991 GUARANTEES, PRESENT VALUE
(3) Federal Ship Financing Fund (Title XI)	$ 148,109
Total	**$ 148,109**

Subsidy Expense for Loan Guarantees by Program and Component

Modifications and Reestimates

LOAN GUARANTEE PROGRAMS	2025 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
(3) Federal Ship Financing Fund (Title XI)	$ (1,309)	$ (24,741)	$ (60,735)	$ (85,476)
Total	**$ (1,309)**	**$ (24,741)**	**$ (60,735)**	**$ (85,476)**

Total Loan Guarantee Subsidy Expense

LOAN GUARANTEE PROGRAMS	2025
(3) Federal Ship Financing Fund (Title XI)	$ (86,785)
Total	**$ (86,785)**

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

Schedule for Reconciling Loan Guarantee Liability Balance

(Post-1991 Loan Guarantees)

Dollars in Thousands

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2025
Beginning Balance of the Loan Guarantee Liability	$ 252,294
Add: Fees Received	5
Add: Subsidy Expense	237
Less: Negative Subsidy Payments	(17,642)
Add: Upward Reestimates	11,711
Less: Downward Reestimates	(97,187)
Loan Guarantee Modifications (+ or -)	(1,309)
Ending Balance of Loan Guarantee Liabilities	**$ 148,109**

The Federal Ship Financing Fund (Title XI) downward technical reestimate was the result of reassessments of risk levels on the loan portfolio. Attributing to the downward reestimates are no loan defaults, several loans paid-off, and a loan modification in which the change of ownership resulted in a higher credit rating. Additionally, the risk rating upgrade of the cohort with the largest outstanding principal balance led to lower projected defaults for the portfolio.

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2025 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.

Loans Receivable: Direct and Defaulted Guarantee Loans

The following table provides a summary of the change in loan receivables, net for direct and defaulted guaranteed loans as of September 30, 2025

Dollars in Thousands

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2025
Beginning Balance of Direct and Guaranteed Loans Receivable, Net	$ 22,498,368
Add: Loans Disbursed Payments	7,242,546
Add: Capitalized Interest	133,800
Less: Principal and Interest Payments Received	(1,030,059)
Less: Fees Received	(10)
Less: Subsidy Expense	(132,281)
Add: Negative Subsidy Payments	43,341
Less: Upward Reestimates	(809,532)
Add: Downward Reestimates	169,686
Subsidy Allowance Amortization Increase/(Decrease)	128,746
Less: Loan Modifications	(1,271)
Ending Balance of Direct and Guaranteed Loans Receivable, Net	**$ 28,243,334**

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2025 consists of the following: *Dollars in Thousands*

	COST	ALLOWANCE FOR LOSS	NET
Inventory			
Inventory Held for Current Sale	$ 296,871	$ -	$ 296,871
Inventory Held for Repair	494,096	-	494,096
Other	40,040	-	40,040
Total Inventory	**831,007**	**-**	**831,007**
Operating Materials and Supplies			
Items Held for Use	400,348	(1,986)	398,362
Items Held in Reserve for Future Use	34,229	-	34,229
Excess, Obsolete and Unserviceable Items	4,579	(3,365)	1,214
Items Held for Repair	41,621	(19,569)	22,052
Total Operating Materials & Supplies	**480,777**	**(24,920)**	**455,857**
Total Inventory and Related Property			**$ 1,286,864**

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 raw materials and work in progress. 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 million in FY 2025.

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 AND EQUIPMENT, NET

Property, Plant and Equipment as of September 30, 2025 consists of the following:

Dollars in Thousands

MAJOR CLASSES	SERVICE LIFE (IN YEARS)	ACQUISITION VALUE	ACCUMULATED DEPRECIATION/ AMORTIZATION	BOOK VALUE
Land and Improvements	10-40	$ 105,884	$ (2,203)	$ 103,681
Buildings and Structures	20-40	8,758,356	(5,201,680)	3,556,676
Equipment	5-15	19,397,280	(15,382,003)	4,015,277
Internal Use Software	3-10	6,178,944	(4,007,594)	2,171,350
Right-to-Use Lease Assets	3-32	344,150	(92,784)	251,366
Leasehold Improvements	3	202,313	(178,021)	24,292
Aircraft	20	367,974	(273,278)	94,696
Ships and Vessels	20-25	3,182,107	(1,894,533)	1,287,574
Small Boats	10	29,616	(29,186)	430
Construction-in-Progress	N/A	3,974,706	-	3,974,706
Total		**$ 42,541,330**	**$ (27,061,282)**	**$ 15,480,048**

Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

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 Property, Plant and Equipment (PP&E) typically flow into and remain in the CIP account until the asset is ready for deployment and placed in service. Once placed in service, the asset balance is transferred from the CIP category to its respective asset category.

See Note 1I for additional information on DOT Accounting Policies related to PP&E, net.

See Note 17 for additional information on DOT Leases to include right-to-use lease assets.

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

Dollars in Thousand

	NET PP&E 2025
Balance beginning of year	$ 15,179,935
Capitalized Acquisitions	2,013,817
Right-to-Use Lease Asset Additions	53,221
Amortization of Right-to-Use Lease Assets	(51,584)
Dispositions	3,894
Revaluations	(344,178)
Donations	15,472
Transfers	(86,435)
Depreciation Expense	(1,304,094)
Balance end of year	**$ 15,480,048**

NOTE 9. STEWARDSHIP PROPERTY, PLANT AND EQUIPMENT

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

Personal Property Heritage Assets

Implied within the MARAD's mission is the promotion of the Nation's rich maritime heritage; including the collection, maintenance, and distribution of maritime artifacts removed from agency-owned ships prior to their disposal. As ships are assigned to a nonretention status, artifact items are collected, inventoried, photographed, and relocated to secure shoreside storage facilities. This resulting inventory is made available on a long-term loan basis to qualified organizations for public display purposes.

MARAD artifacts and other collections are generally on loan to single-purpose memorialization and remembrance groups, such as AMVETS National Service Foundation and other preservation societies. MARAD maintains a Web-based inventory system that manages the artifact loan process. The program also supports the required National Historic Preservation Act processing prior to vessel disposal. Funding for the maintenance of heritage items is typically the responsibility of the organization requesting the loan of a heritage asset. The artifacts and other collections are composed of ships' operating equipment obtained from obsolete ships. The ships are inoperative and in need of preservation and restoration. As all items are durable and restorable, disposal is not a consideration. The artifacts and other collections are removed from inventory when determined to be in excess of the needs of the collection, or destroyed while on loan. The following table shows the number of physical units added and withdrawn as of September 30, 2025.

Heritage Assets

PERSONAL PROPERTY	UNITS AS OF SEPTEMBER 30, 2024	ADDITIONS	WITHDRAWALS	UNITS AS OF SEPTEMBER 30, 2025
Artifacts	360	1	-	361
Other Collections	6,056	17	23	6,050
Total Personal Property Heritage Assets	**6,416**	**18**	**23**	**6,411**

Real Property Heritage Assets

Washington's Union Station supports DOT's mobility mission, facilitating the movement of intercity and commuter rail passengers through the Washington, D.C. metropolitan area. FRA has an oversight role in the management of Washington's Union Station. FRA received title pursuant to statute and leases the property to a private entity, which manages the property.

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

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

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

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

Information concerning DM&R and estimated land acreage is discussed in unaudited required supplementary information.

NOTE 10. OTHER ASSETS

Other Assets consist of the following as of September 30, 2025

Dollars in Thousands

	2025
Intragovernmental	
Other Assets for Non-entity Liabilities— General Fund of the U.S. Government	$ 322,822
Total Intragovernmental Other Assets	**322,822**
Other than Intragovernmental	
Lessor Lease Receivable	$ 324,810
Total Other than Intragovernmental	**324,810**
Total Other Assets	**$ 647,632**

A lessor lease receivable (lease asset) is recognized for the lease arrangement with the MWAA. The lessor lease receivable is initially measured at the present value of lease payments to be received for the lease term and reduced as those payments are collected over the term of the lease. Because lease payments from the MWAA are collected by the FAA on behalf of the General Fund, the unearned revenue (lease liability) is reported as a non-entity liability, and an asset for non-entity liabilities of the General Fund is therefore recorded to offset the non-entity lease liability (unearned revenue). See Note 17 Leases for additional information.

NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources as of September 30, 2025 consist of the following:

Dollars in Thousands

	2025
Intragovernmental	
Other Liabilities	
Unfunded FECA Liabilities	$ 149,364
Unfunded Employment Related Liability	22,881
Other Liabilities	11,325
Total Intragovernmental	**183,570**
Other than Intragovernmental	
Federal Employee Salary, Leave, and Benefits Payable	740,466
Post Employment Benefits Payable	636,724
Environmental and Disposal Liabilities (Note 14)	939,397
Other Liabilities	
Legal Claims	15,527
Unfunded Lessee Lease Liability (Note 16 and 17)	263,737
Other Liabilities	45,977
Total Other than Intragovernmental	2,641,828
Total Liabilities Not Covered by Budgetary Resources	**2,825,398**
Total Liabilities Covered by Budgetary Resources	45,395,631
Total Liabilities Not Requiring Budgetary Resources	1,122,490
Total Liabilities	**$ 49,343,519**

NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES (CONT.)

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).

Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. The unfunded lessee lease liability reflects the present value of lease payments required to be paid to a lessor for the lease term, that will be funded by future years' budgetary resources.

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 because information contained in this note is related only to liabilities not covered by budgetary resources.

NOTE 12. DEBT

Debt activities during the fiscal year ended September 30, 2025 *Dollars in Thousands*

INTRAGOVERNMENTAL DEBT	2025 BEGINNING BALANCE	NET BORROWING	2025 ENDING BALANCE
Debt to the Treasury	$ 22,272,849	$ 6,156,746	$ 28,429,595
Debt to the Federal Financing Bank	317,376	(15,953)	301,423
Total Intragovernmental Debt	**$ 22,590,225**	**$ 6,140,793**	**$ 28,731,018**

As part of its credit reform program, DOT borrows from the U.S. Treasury and the 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 2025, DOT's U.S. Treasury borrowings carried interest rates ranging from .97 percent to 4.97 percent. The maturity dates for these borrowings occur between September 2027 and September 2073. FFB borrowings carried an interest rate of 2.38 percent. The maturity date for these borrowings occur September 2055. 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 during the Fiscal Year.

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

NOTE 13. FEDERAL EMPLOYEE SALARY, LEAVE AND POST EMPLOYMENT BENEFITS PAYABLE

Dollars in Thousands

	2025
Accrued Funded Payroll and Leave	$ 325,668
Employer Contributions Payable	13,308
Unfunded Leave	632,378
Other Unfunded Employment Related Liability	108,088
Total Federal Employee Salary, Leave and Benefits Payable	**$ 1,079,442**
Actuarial FECA Liability	$ 636,724
Total Post-Employment Benefits Payable	**$ 636,724**

Accrued Funded Payroll and Leave. The accrued funded payroll and leave consists of the estimated amount of liability for salaries, wages and funded annual leave and sick leave that have been earned but have not yet been paid.

Federal Employees Compensation Act. 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 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 16) includes $149.7 million at September 30, 2025, for intragovernmental FECA liabilities representing amounts billed to DOT by the DOL for FECA payments made on DOT's behalf.

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.

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 unity agreements, employees who are in FERS have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

NOTE 14. ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

Dollars in Thousands

	2025
Environmental Remediation	$ 391,436
Asset Cleanup and Disposal	561,957
Total Environmental and Disposal Liabilities	**$ 953,393**

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, 2025, 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. MARAD environmental remediation liabilities in the amount of $14 million are considered fully funded and covered by budgetary resources.

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, 2025, includes the estimated cost of disposing 89 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 DOT'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 18 for contingent environmental liabilities.

NOTE 15. 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 OAs as of September 30, 2025.

Dollars in Thousands

OPERATING ADMINISTRATIONS	2025
Federal Aviation Administration	$ 1,722,225
Federal Highway Administration	8,140,314
Federal Transit Administration	3,074,793
Other Operating Administrations	676,799
Total Grant Accrual	**$ 13,614,131**

NOTE 16. OTHER LIABILITIES

Other Liabilities as of September 30, 2025 consist of the following: *Dollars in Thousands*

	NON-CURRENT	CURRENT	TOTAL
Intragovernmental			
Accrued Pay and Benefits	-	114,217	114,217
FECA Billings	82,338	67,376	149,714
Liability for Nonentity Assets	331,947	265,317	597,264
Other Accrued Liabilities	2,932	209,924	212,856
Total Intragovernmental	**$ 417,217**	**$ 656,834**	**$ 1,074,051**
Other than Intragovernmental			
Legal Claims (Note 18)	-	15,527	15,527
Unearned Lessor Revenue	318,509	4,313	322,822
Unfunded Lessee Lease Liability	210,081	53,656	263,737
Lessee Lease Liability	-	630	630
Other Accrued Liabilities	31,130	36,363	67,493
Total Other than Intragovernmental	**$ 559,720**	**$ 110,489**	**$ 670,209**
Total Other Liabilities	**$ 976,937**	**$ 767,323**	**$ 1,744,260**

Intragovernmental Accrued Pay and Benefits consists of DOT contributions payable to other federal agencies for employee benefits. These include DOT contributions payable toward life insurance, health insurance, retirement benefits, and Social Security. These benefits also include DOT contributions payable for the Federal Insurance Contributions Act taxes, which are composed of the old-age, survivors, and disability insurance taxes, also known as Social Security taxes, and the hospital insurance tax, also known as Medicare tax.

FECA Billings is an unfunded liability recorded for the actual cost of workers' compensation benefits to be reimbursed to the DOL, pursuant to the FECA. Reimbursement to the DOL occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intragovernmental liability are made available to DOT as part of its annual appropriation from the Congress in the year in which the reimbursement takes place.

A liability for unearned lessor revenue (lease liability) is recognized for the lease arrangement with MWAA. The liability is initially measured at the present value of lease payments to be received for the lease term and amortized over the term of the lease. Because lease payments from MWAA are collected by the FAA on behalf of the General Fund, the lease receivable (lease asset) is reported as a non-entity asset, and a liability for non-entity assets of the General Fund is therefore recorded to offset the non-entity lease asset (lease receivable). DOT liability for non-entity assets is also comprised of downward subsidy reestimates in the general fund receipt account payable to the General Fund of the U.S. Government.

NOTE 17. LEASES

Entity as a Lessee
Intragovernmental Leases:

DOT has intragovernmental leases primarily with GSA that are mostly for space, buildings, and structures. GSA leases include terms with a short termination privilege. However, DOT's current position is to remain in the leases. In addition, GSA leases are inclusive of other costs such as utilities, taxes and janitorial services. DOT recognizes intragovernmental lease payments, including lease-related operating costs paid to the lessor, as expenses based on the payment provisions of the contract or agreement. 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 to GSA.

As of September 30, 2025, intragovernmental leases were comprised of the following:

Dollars in Thousands

SUMMARY OF INTRAGOVERNMENTAL LEASES BY CATEGORY	2025
Land, Buildings, and Structures	231,404
Total Intragovernmental Lease Expenses	**$ 231,404**

Entity as Lessee
Right-to-Use Leases:

Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

Certain lease payments made in exchange for the right to use the underlying asset that are variable in nature and ultimately dependent on future calculations may not be determinable at lease commencement. For instance, payments that are based on future performance of the lessee (percentage rents based on sales) or usage of the underlying asset (vehicle charges based on miles driven). These payments are not included in the lease liability. Instead, such payments are recognized as expenses in the reporting period in which those payments are incurred.

DOT right-to-use lease assets are primarily leases of land, buildings and machinery with non-intragovernmental lessors. The lease terms expire at various dates through 2055. Future lease payments are discounted using the interest rate charged by the lessor. If not stated in the lease, the discount rate is based on the interest rate on marketable Treasury securities with a similar maturity to the term of the lease. The discount rates used to calculate the lease liabilities range from 3.44 percent to 4.91 percent.

As of September 30, 2025, right-to-use leases were comprised of the following:

Dollars in Thousands

	2025
Right-to-Use Lease Assets	$ 344,150
Accumulated Amortization	(92,784)
Net Right-to-Use Lease Assets	**$ 251,366**
Lease Amortization Expense	$51,584
Interest Expense	12,044
Total Annual Lease Expense	**$ 63,628**
Variable Lease Expense	**$ 42**

NOTE 17. LEASES (CONT.)

As of September 30, 2025, DOT's future payments due on right-to-use lease liabilities were:

FISCAL YEAR FUTURE PAYMENTS DUE	PRINCIPAL	INTEREST	TOTAL
2026	$ 53,656	$ 10,678	$ 64,334
2027	48,773	8,215	56,988
2028	44,025	6,154	50,179
2029	24,417	4,566	28,983
2030	15,185	3,716	18,901
2031-2035	46,423	11,169	57,592
2036-2040	21,736	4,266	26,002
2041-2045	9,368	837	10,205
2046-2050	117	23	140
2051-2055	37	3	40
Total Future Lease Payments	**$ 263,737**	**$ 49,627**	**$ 313,364**

Entity as Lessor
Right-To-Use Leases:

A lease receivable (lease asset) and unearned revenue (lease liability) is recognized for non-intragovernmental, non-short-term contracts or agreements wherein the entity conveys the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset to another party for a period of time in exchange for consideration under the terms of the contract or agreement.

The Metropolitan Washington Airports Act of 1986, Title VI of P.L. 99-500, authorized the Secretary of Transportation to enter into a lease of the Metropolitan Washington Airports (i.e., DCA and Dulles International Airport) with the MWAA. The Secretary and the Airports Authority may at any time negotiate an extension of the lease. The current lease term extends through September 6, 2100. The FAA collects the lease payments from the Airports Authority on behalf of the General Fund of the U.S. Government. Because the collections are not available to the FAA, the related lease receivable (lease asset) and unearned revenue (lease liability) are reported by the FAA as non-entity assets and liabilities.

On July 4, 2025, the passage of OBBBA resulted in a significant increase in the consideration under the lease, effective starting in 2027. Consequently, the lease receivable was remeasured as of the date of enactment of the Act.

The lease payments collected by the FAA in exchange for the right to use the underlying asset are variable in nature and ultimately dependent upon a price index. The payment amount is determined on an annual basis by utilizing the implicit price deflator for the United States Gross National Product. This amount is equivalent to $3 million in 1987 dollars through the year 2026. Beginning in 2027, the payment amount will be adjusted to $15 million, based on 2027 dollars. The amount of the payment that exceeds the initial measurement for the lease receivable is therefore recognized as variable lease revenue.

Lease payments are initially allocated to interest prior to being applied to the principal balance. The escalation in consideration is scheduled to commence in 2027, resulting in payments during the preceding years that are insufficient to fully cover the accrued interest. Consequently, application of payments to the principal will be deferred until subsequent years, at which point the accrued interest balance will have been sufficiently reduced.

NOTE 17. LEASES (CONT.)

As of September 30, 2025 right-to-use leases were comprised of the following:

Dollars in Thousands

CLASS OF FIXED ASSET	2025 ACQUISITION VALUE	2025 ACCUMULATED DEPRECIATION	2025 NET BOOK VALUE
Land	$ 16,246	$ -	$16,246

DOLLARS IN THOUSANDS	2025
Amortization of Unearned Lease Revenue	$ 2,560
Variable Lease Revenue	448
Interest Revenue	8,294
Total Annual Lease Revenue	**$ 11,302**

NOTE 18. COMMITMENTS AND 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, 2025, DOT's contingent liabilities, in excess of amounts accrued (Note 16), for asserted and pending legal claims are as follows:

LEGAL CONTINGENCIES	ACCRUED LIABILITIES	2025 ESTIMATED RANGE OF LOSS /LOWER END	2025 ESTIMATED RANGE OF LOSS /UPPER END
Probable	$ 15,527	15,288	378,162
Reasonably Possible	-	1,287,431	3,097,019

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, 2025 FHWA has up to $85.5 billion 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, 2025.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment Grants (CIG) Program under 49 U.S.C. 5309(k)(2), Fixing America's Surface Transportation Act of 2015 (FAST) § 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, 2025, FTA had funding commitments in FFGAs totaling $8.78 billion, 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, 2025.

NOTE 18. COMMITMENTS AND CONTINGENCIES (CONT.)

FAA's 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. The FAA records an obligation when a grant is awarded. As of September 30, 2025, FAA has open letters of intent extending through FY 2034 with $432 million unobligated.

Environmental Liabilities

As of September 30, 2025, 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.

See Note 14 for additional informational on environmental liabilities.

ENVIRONMENTAL CONTINGENCIES	ACCRUED LIABILITIES	2025 ESTIMATED RANGE OF LOSS /LOWER END	2025 ESTIMATED RANGE OF LOSS /UPPER END
Probable	$ 953,393	953,393	953,393
Reasonably Possible	-	149,862	149,862

Aviation Insurance Program

The FAA provides non-premium war risk insurance for certain U.S. Government contracted operations as permitted by 49 U.S.C. 44305. Coverage is provided without premium to air carriers at the written request of other U.S. Government agencies. The scope of coverage under the Non-Premium War Risk Insurance program includes hull, bodily injury, personal injury, and property damage. The FAA is currently providing coverage for certain U.S. 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 17-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.

American Eagle Flight 5342 Air Collision Incident

Subsequent to the balance sheet date, DOT became aware of legal and regulatory developments arising from the January 2025 collision involving American Eagle Flight 5342 near DCA. At this time, the financial impact cannot be reasonably estimated, as the investigations and litigation are in early stages.

DOT will continue to monitor developments and will update disclosures in future reporting periods as additional information becomes available.

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS

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

Highway Trust Fund

The HTF was created by the Highway Revenue Act of 1956 with the main objective of funding the construction of the Dwight D. Eisenhower System of Interstate and Defense Highways. Over the years, the use of the fund has been expanded to include mass transit and other surface transportation programs such as highway safety and motor carrier safety programs. The Highway Revenue Act of 1982 established two accounts within the HTF, the Highway Account and the Mass Transit Account. The HTF consists of the Highway Corpus Trust Fund and certain accounts of FHWA, FMCSA, FRA, FTA, NHTSA, and OST. The HTF's programs and activities are primarily financed from excise taxes collected on specific motor fuels, truck taxes, and fines and penalties.

Airport and Airway Trust Fund

The AATF was authorized by the Airport and Airway Revenue Act of 1970 to provide funding for the Federal commitment to the Nation's aviation system.

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

Mass Transit

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users 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 period ended September 30, 2025, funds from dedicated collections are summarized in the following charts. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity. Similarly, the combined presentation does not eliminate intra-entity balances or transactions with non-dedicated collections. In addition, this note presents only the funds from dedicated collections that are financing sources available for future expenses, and funds that have been expended but have not yet achieved their designated purpose, such as construction in progress. As such, PP&E that has been placed in service, that was funded from dedicated collections, are excluded from this note; these funds are no longer available for future expenditure and have been used for their intended purpose.

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

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 2025 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
Balance Sheet as of September 30, 2025							
Assets							
Intragovernmental							
Fund Balance With Treasury	$ 5,337,482	$ 1,942,623	$ 13,112	$ 3,601,645	$ 10,894,862	$ -	$ 10,894,862
Investments, Net	68,941,413	18,697,571	-	2,703,472	90,342,456	-	90,342,456
Accounts Receivable, Net	114,025,036	-	-	6,273,499	120,298,535	(120,255,345)	43,190
Advances and Prepayments	203,144	-	-	207,482	410,626	(27,812)	382,814
Total Intragovernmental Assets	**188,507,075**	**20,640,194**	**13,112**	**12,786,098**	**221,946,479**	**(120,283,157)**	**101,663,322**
Other than Intragovernmental							
Accounts Receivable, Net	62,973	-	-	37,173	100,146	-	100,146
Property, Plant & Equipment, Net	463,642	-	-	3,228,751	3,692,393	-	3,692,393
Advances and Prepayments	762	-	-	3,506	4,268	-	4,268
Total Other than Intragovernmental	**527,377**	**-**	**-**	**3,269,430**	**3,796,807**	**-**	**3,796,807**
Total Assets	**$ 189,034,452**	**$ 20,640,194**	**$ 13,112**	**$ 16,055,528**	**$ 225,743,286**	**$ (120,283,157)**	**$ 105,460,129**
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	$ 114,736,462	$ 6,237,952	$ -	$ 51,868	$ 121,026,282	$ (120,255,345)	$ 770,937
Advances from Others and Deferred Revenue	499,513	-	-	15,760	515,273	(27,812)	487,461
Other Liabilities	12,500	-	-	232,747	245,247		245,247
Total Intragovernmental Liabilities	**115,248,475**	**6,237,952**	**-**	**300,375**	**121,786,802**	**(120,283,157)**	**1,503,645**
Other than Intragovernmental							
Accounts Payable	53,305	-	-	509,189	562,494	-	562,494
Federal Employee Salary, Leave and Benefits Payable	89,836	-	-	871,761	961,597	-	961,597
Post Employment Benefits Payable	12,260	-	-	588,344	600,604	-	600,604
Accrued Grant Liabilities	9,907,397	-	-	963,888	10,871,285	-	10,871,285
Advances from Others and Deferred Revenue	163,003	-	-	155,614	318,617	-	318,617
Other Liabilities	23,083	-	1,445	8,720	33,248	-	33,248
Total Other than Intragovernmental Liabilities	**10,248,884**	**-**	**1,445**	**3,097,516**	**13,347,845**	**-**	**13,347,845**
Total Liabilities	**125,497,359**	**6,237,952**	**1,445**	**3,397,891**	**135,134,647**	**(120,283,157)**	**14,851,490**

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

	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 2025 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
Unexpended Appropriations	-	-	550	1,100,674	1,101,224	-	1,101,224
Cumulative Results of Operations	63,537,093	14,402,242	11,117	11,556,963	89,507,415	-	89,507,415
Total Liabilities and Net Position	**$ 189,034,452**	**$ 20,640,194**	**$ 13,112**	**$ 16,055,528**	**$ 225,743,286**	**$(120,283,157)**	**$ 105,460,129**
Statement of Net Cost for the period ended September 30, 2025							
Program Costs	$ 75,901,139	$ -	$ 1,298	$ 20,780,961	$ 96,683,398	$ (11,563)	$ 96,671,835
Less Earned Revenue	246,454	14	-	767,254	1,013,722	(11,563)	1,002,159
Net Program Costs	**75,654,685**	**(14)**	**1,298**	**20,013,707**	**95,669,676**	**-**	**95,669,676**
Costs Not Attributable to Programs	-	-	-	-			-
Net Cost of Operations	**$ 75,654,685**	**$ (14)**	**$ 1,298**	**$ 20,013,707**	**$ 95,669,676**	**$ -**	**$ 95,669,676**
Statement of Changes in Net Position for the period ended September 30, 2025							
Unexpended Appropriations							
Beginning Balance	$ -	$ -	$ 550	$ 919,517	$ 920,067	$ -	$ 920,067
Appropriations Received	-	-	-	1,389,633	1,389,633	-	1,389,633
Other Adjustments	-	-	-	(18,487)	(18,487)	-	(18,487)
Appropriations Used	-	-	-	(1,189,989)	(1,189,989)	-	(1,189,989)
Total Unexpended Appropriations	**-**	**-**	**550**	**1,100,674**	**1,101,224**	**-**	**1,101,224**
Cumulative Results of Operations							
Beginning Balance	91,339,603	10,743,723	12,415	10,537,520	112,633,261	-	112,633,261
Other Adjustments	(1,642)	-	-	(41,834)	(43,476)	-	(43,476)
Appropriations Used	-	-	-	1,189,989	1,189,989	-	1,189,989
Other than Intragovernmental Non-Exchange revenue:							
Miscellaneous Receipts	47,087	-	-	4,236	51,323	-	51,323
Intragovernmental non-exchange revenue	47,685,232	23,657,905	-	-	71,343,137	-	71,343,137

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS (CONT.)

	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 2025 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
Donations and Forfeitures of cash/ cash equivalents	-	-	-	779	779	-	779
Transfers in/out without reimbursement	219,791	(19,999,400)	-	18,668,570	(1,111,039)	-	(1,111,039)
Imputed Financing	95,786	-	-	1,211,410	1,307,196	-	1,307,196
Other	(194,079)	-	-	-	(194,079)	-	(194,079)
Net Cost of Operations	75,654,685	(14)	1,298	20,013,707	95,669,676	-	95,669,676
Net Change in Cumulative Results of Operations	(27,802,510)	3,658,519	(1,298)	1,019,443	(23,125,846)	-	(23,125,846)
Cumulative Results of Operations: Ending	**63,537,093**	**14,402,242**	**11,117**	**11,556,963**	**89,507,415**	**-**	**89,507,415**
Net Position, End of Period	**$ 63,537,093**	**$ 14,402,242**	**$ 11,667**	**$ 12,657,637**	**$ 90,608,639**	**$ -**	**$ 90,608,639**

NOTE 20. EXCISE TAXES AND OTHER NONEXCHANGE REVENUE

The IRS collects various excise taxes that are deposited into the HTF and AATF. The U.S. Treasury Office, 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 2025, the DOT financial statements include actual excise tax revenue certified through June 30, 2025, and excise tax revenue allocated by OTA for the quarters ended September 30, 2025. As a result, total taxes recognized in the DOT FY 2025 financial statements include the OTA allocation of $14.3 billion for the quarters ended September 30, 2025 and the actual amounts certified through June 30, 2025 of $46.7 billion.

For the year ended September 30, 2025, excise taxes and associated nonexchange revenue, which are reported on the Consolidated Statement of Changes in Net Position, are as follows.

Dollars in Thousands

NONEXCHANGE REVENUE	2025
Highway Trust Fund	
Excise Taxes and Other Nonexchange Revenue	
Gasoline	$ 26,377,080
Diesel and Special Motor Fuels	11,853,693
Trucks	7,206,627
Investment Income	3,922,675
Fines and Penalties	928
Total Taxes	**49,361,003**
Less: Transfers	(1,746,498)
Other Nonexchange Revenue	71,655
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	**47,686,160**
Federal Aviation Administration	
Excise Taxes and Other Nonexchange Revenue	
Passenger Ticket	$ 15,914,715
International Departure	5,636,011
Fuel (Air)	928,592
Waybill	641,705
Investment Income	539,492
Tax Refunds and Credits	(2,610)
Other	4,236
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	**23,662,141**
Other Miscellaneous Net Nonexchange Revenue	**56,414**
Total Nonexchange Revenue	**$ 71,404,715**

NOTE 21. 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.

Dollars in Thousands

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2025
Unobligated Balance brought forward, October 1	$ 140,880,391
Adjustments to Unobligated Balance brought forward, October 1	-
Recoveries of prior year obligations	5,466,335
Other Adjustments to Unobligated Balance brought forward, October 1	(422,617)
Unobligated Balance from prior year budget authority, net	**$ 145,924,109**

Note 21. Information Related to the Statement of Budgetary Resources (CONT.)

Borrowing Authority, End of Period and Terms of Borrowing Authority Used

DOT had $7.1 billion in borrowing authority in FY 2025. 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.

Dollars in Thousands

AVAILABLE CONTRACT AUTHORITY	2025
Available Contract Authority at Year-End	$ 25,985,844

Dollars in Thousands

UNDELIVERED ORDERS	2025 FEDERAL	2025 NONFEDERAL
Undelivered Orders at Year-End, unpaid	$ 1,247,193	$ 213,115,210
Undelivered Orders at Year-End, paid	$ 772,304	$ 1,206,720

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

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

Apportionment Available in Subsequent Periods

As of September 30, 2025, DOT has $11.2 billion in unobligated balances that were apportioned for future years (Category C) in FY 2025. This amount is comprised of $7.8 billion in FAA OBBBA funding and $3.4 billion in FTA CIG funding. OMB placed these amounts in Category C to ensure the funds would require reapportionment action prior to being available for obligation (See OMB Circular A-11 Section 120.52 and 120.57). Absent such reapportionment action, funds remain unavailable for obligation in FY 2025. Consistent with A-11, Section 120, these funds are not actually available in subsequent periods until such time that OMB apportions the funds in Category A or B.

Statement of Budgetary Resources vs. Budget of the United States Government

There were no material differences identified between the Statement of Budgetary Resources and the Budget of the U.S. Government. The Budget of the U.S. Government is available on the OMB's web site. The budgetary resources, new obligations, upward adjustments, and net outlay amounts are from the "Detailed Budget Estimates by Agency" found in the Appendix of the Budget. The distributed offsetting receipts amount is from the "Federal Budget by Agency and Account" found in the Analytical Perspectives of the Budget and reconciled at the department level by DOT. The actual amounts for FY 2025 will be presented in the FY 2027 Budget, which occurs after the issuance of these financial statements. The OMB is expected to publish this information early in calendar year (CY) 2026.

NOTE 22. CUSTODIAL ACTIVITY

Cash collections that are "custodial" are not revenue to DOT, but are collected on behalf of other Federal entities or funds. Custodial collections are considered to be incidental to DOT's operations. The following table presents custodial collections and the disposition of those collections for the year ended September 30, 2025:

Dollars in Thousands

REVENUE ACTIVITY	2025
Sources of Cash Collections	
Miscellaneous Receipts	$ 283,551
User Fees	410
Fines, Penalties and Forfeitures	128,624
Total Cash Collections	**412,585**
Accrual Adjustment	22,857
Total Custodial Revenue	**435,442**
Disposition of Collections	
Transferred to Treasury's General Fund	336,283
Transferred to Highway Trust Fund	76,302
Increase (Decrease) in Amounts to be Transferred	22,857
Net Custodial Activity	**$ -**

NOTE 23. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS

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

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.

NOTE 23. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS (CONT.)

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.

For year ended September 30, 2025 — *Dollars in Thousands*

	INTRAGOVERNMENTAL	WITH THE PUBLIC	TOTAL
Net Operating Cost	**$ 4,442,530**	**$ 125,645,800**	**$ 130,088,330**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation expense	-	(1,304,094)	(1,304,094)
Property, plant, and equipment disposals and revaluations	-	(340,284)	(340,284)
Right-to-use lease asset amortization expense	-	(51,584)	(51,584)
Cost of goods sold	(912)	(84,726)	(85,638)
Inventory disposals and revaluations	-	44,830	44,830
Year-end credit reform subsidy re-estimates	314,778	-	314,778
Loan modification adjustment transfers	1,309	-	1,309
Increase/(decrease) in assets			
Accounts receivable, net	(13,485)	44,373	30,888
Investments, Net	(41,419)	-	(41,419)
Advances and Prepayments	41,188	(497,596)	(456,408)
(Increase)/decrease in liabilities			
Accounts payable	(289,761)	47,063	(242,698)
Environmental and disposal liabilities	-	(28,248)	(28,248)
Federal employee, salary, leave and benefits payable	-	174,841	174,841
Post employment benefits payable	-	46,745	46,745
Advances from others and deferred revenue	(66,642)	(40,212)	(106,854)
Other Liabilities			
Accrued Grant Liabilities	-	(917,269)	(917,269)
Lessee Lease Liability	-	49,122	49,122
Other	88,296	(350)	87,946
Financing Sources			
Imputed Costs	(1,434,338)	-	(1,434,338)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(1,400,986)**	**(2,857,389)**	**(4,258,375)**

NOTE 23. RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS (CONT.)

	INTRAGOVERNMENTAL	WITH THE PUBLIC	TOTAL
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	63,226	1,950,591	2,013,817
Acquisition of inventory	-	83,087	83,087
Effect of prior year credit reform subsidy re-estimates	(388,737)	-	(388,737)
Financing Sources			
Donated Revenue	-	(779)	(779)
Transfers out (in) without reimbursements	(205,324)	-	(205,324)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**(530,835)**	**2,032,899**	**1,502,064**
Miscellaneous Items			
FCRA Net Cost Impact	(762,298)	766,287	3,989
Custodial/Non-exchange Revenue	(6,986)	(93,505)	(100,491)
Custodial/Exchange Revenue	165,827	(273,085)	(107,258)
Non-Entity Activity	21,838	4,164	26,002
Appropriated Receipts for Trust/Special Funds	396,578	-	396,578
Total Other Reconciling Items	**(185,041)**	**403,861**	**218,820**
Total Net Outlays	**$ 2,325,668**	**$ 125,225,171**	**$ 127,550,839**
Outlays, net (Statement of Budgetary Resources (SBR) 4190)			128,806,173
Distributed offsetting receipts (SBR 4200)			(1,255,334)
Budgetary Agency Outlays, net (SBR 4210)			**$ 127,550,839**

NOTE 24. 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 year ended September 30, 2025 *Dollars in Thousands*

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2025	2024
Fiduciary Net Assets, Beginning of Year	$ 2,167	$ 1,173
Contributions	934	1,076
Investment Earnings	75	784
Disbursements to and on Behalf of Beneficiaries	(977)	(866)
Increases/(Decreases) in Fiduciary Net Assets	32	994
Fiduciary Net Assets, End of Year	**$ 2,199**	**$ 2,167**

Fiduciary Net Assets

As of September 30, 2025 *Dollars in Thousands*

FIDUCIARY NET ASSET ITEMS	2025	2024
Fiduciary Fund Balance With Treasury	$ 1,256	$ 1,299
Investments in Treasury Securities	943	868
Total Fiduciary Net Assets	**$ 2,199**	**$ 2,167**

NOTE 25. 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) and 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.

NOTE 25. DISCLOSURE ENTITIES (CONT.)

The federal government (through the Department of Transportation) owns 100% of Amtrak's preferred stock (109,396,994 shares of $100 par value). The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock (see Section 415(c), P. L. 105-134, 111 Stat. 2590 (December 2, 1997)). The Act also eliminated further issuance of preferred stock to DOT. 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."[3] 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. DOT 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, DOT 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, 2025, net costs related to Amtrak grants were $5.5 billion, total budgetary outlays were $4.7 billion, and the remaining undelivered order balance for Amtrak is $23.3 billion. Also, as of September 30, 2025, the remaining grant advances provided to Amtrak were $1.2 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 rata 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, DOT records amounts paid out to Amtrak and amounts Amtrak repays to DOT in its financial system. The RRIF loan is accounted for in accordance with SFFAS 2 (see Note 6). As of September 30, 2025, the undelivered order balance of the RRIF loan is $1.01 billion. There was a disbursement of $313.2 million as of September 30, 2025.

In addition to the grants and loans provided to Amtrak, DOT 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. DOT does not recognize the long-term notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms and Amtrak's history of operating losses.

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

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORT OF THE U.S. GOVERNMENT (FR) COMPILATION PROCESS

To prepare the FR, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the 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 2024 FR can be found on the Bureau of the Fiscal Service Reports, Statements & Publications website and a copy of the 2025 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.

Dollars in Thousands

FY 2025 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2025 GOVERNMENT-WIDE STATEMENT OF NET COST					
FINANCIAL STATEMENT LINE	**AMOUNTS**	**DEDICATED COLLECTIONS COMBINED**	**DEDICATED COLLECTIONS ELIMINATIONS**	**OTHER THAN DEDICATED COLLECTIONS AMOUNTS (WITH ELIMINATIONS)**	**ELIMINATIONS BETWEEN DEDICATED COLLECTIONS AND OTHER THAN DEDICATED COLLECTIONS**	**TOTAL**	**RECLASSIFIED FINANCIAL STATEMENT LINE**
							Non-Federal Costs
Gross Costs	$ 133,245,533	$ 91,277,901	$ -	$ 35,725,066	$ -	$ 127,002,967	*Non-Federal Gross Cost*
		91,277,901	-	35,725,066	-	127,002,967	*Total Non-Federal Costs*
							Intragovernmental Costs
		2,406,300	-	240,694	-	2,646,994	Benefit Program Costs
		1,307,196	-	127,142	-	1,434,338	Imputed Costs
		1,165,148	(11,563)	235,409	(738,626)	650,368	Buy/Sell Costs
		44,161	(1,387)	4,109	(30,935)	15,948	Purchase of Assets
		28	-	917,731	-	917,759	Borrowing and Other Interest Expense
		526,825	-	66,282	-	593,107	Other Expenses (w/o Reciprocals)
		(44,161)	1,387	(4,109)	30,935	(15,948)	Purchase of Assets Offset
		5,405,497	(11,563)	1,587,258	(738,626)	6,242,566	*Total Intragovernmental Costs*
Total Gross Costs	**$ 133,245,533**	**$ 96,683,398**	**$ (11,563)**	**$ 37,312,324**	**$ (738,626)**	**$ 133,245,533**	***Total Reclassified Gross Costs***

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

FY 2025 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2025 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
Earned Revenue	3,157,203	462,732	-	894,434	-	1,357,166	Non-Federal Earned Revenue
							Intragovernmental Revenue
		433,099	(11,563)	1,843,803	(738,626)	1,526,713	Buy/Sell Revenue
		117,877	-	-	-	117,877	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		14	-	155,433	-	155,447	Borrowing and Other Interest Revenue
		550,990	(11,563)	1,999,236	(738,626)	1,800,037	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	**$ 3,157,203**	**$ 1,013,722**	**$ (11,563)**	**$ 2,893,670**	**$ (738,626)**	**$ 3,157,203**	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 130,088,330**	**$ 95,669,676**	**$ -**	**$ 34,418,654**	**$ -**	**$ 130,088,330**	**Net Cost of Operations**
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	273,275	-	-	273,235	-	273,235	Non-Federal Earned Revenue
		-	-	40	-	40	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	**273,275**	**-**	**-**	**273,275**	**-**	**273,275**	***Total Reclassified Exchange Custodial Collections***
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(273,275)	-	-	(273,275)	-	(273,275)	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.)

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2025

FY 2025 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2025 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	$ 152,553,132	$ 920,067	$ -	$ 151,633,065	$ -	$ 152,553,132	Net Position, Beginning of Period
Appropriations Received	67,131,666	1,389,633	-	65,742,033	-	67,131,666	*Appropriations Received as Adjusted*
Appropriations Transferred In/(Out)	(1,785)	-	-	21,732	-	21,732	Non-Expenditure Transfers-in of Unexpended Appropriations
		-	-	(23,517)		(23,517)	Non-Expenditure Transfers-out of Unexpended Appropriations
Total Appropriations Transferred In/Out	*(1,785)*	-	-	*(1,785)*	-	*(1,785)*	*Total Reclassified Appropriations Transferred In/Out*
Other Adjustments	(4,612,410)	(18,487)	-	(4,593,923)	-	(4,612,410)	Appropriations Received as Adjusted
Appropriations Used	(34,818,152)	(1,189,989)	-	(33,628,163)	-	(34,818,152)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	**$ 180,252,451**	**$ 1,101,224**	**$ -**	**$ 179,151,227**	**$ -**	**$ 180,252,451**	***Total Unexpended Appropriations***
Cumulative Results of Operations							
Cumulative Results, Beginning Balance	124,917,526	112,633,261	-	12,284,265	-	124,917,526	Net Position, Beginning of Period
Other Adjustments	(93,538)	(43,476)	-	(50,062)	-	(93,538)	*Revenue and Other Financing Sources - Cancellations*
Appropriations Used	34,818,152	1,189,989	-	33,628,163	-	34,818,152	Appropriation Expended (Federal)
							Non-Federal Non-Exchange Revenues
Non-Exchange Revenue	71,404,715	51,323	-	10,255	-	61,578	Other Taxes and Receipts
		51,323	-	10,255	-	61,578	Total Non-Federal Non-Exchange Revenues

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

FY 2025 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2025 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**
							Federal Non-Exchange Revenues
		4,462,167	-	-	-	4,462,167	Federal Securities Interest Revenue
		9,813		-		9,813	Borrowings and Other Interest Revenue
Non-Exchange Revenue *(continued)*	71,404,715	76,302				76,302	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		(14,460)	-	-	-	(14,460)	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		66,809,315	-	-	-	66,809,315	Other Taxes and Receipts
		71,343,137	-	-	-	71,343,137	*Total Federal Non-Exchange Revenue*
Total Non-Exchange Revenue	**$ 71,404,715**	**$ 71,394,460**	**$ -**	**$ 10,255**	**$ -**	**$ 71,404,715**	***Total Reclassified Non-Exchange Revenues***
Donations and Forfeitures of Cash/Cash Equivalents	779	779	-	-	-	779	Donations and Forfeitures of Cash/ Cash Equivalents
Transfers-In/(Out) Without Reimbursement	(136,885)	113,802,591	(113,370,609)	2,451,038	(2,820,295)	62,725	Transfers-In w/o Reimbursement
		(114,913,630)	113,370,609	(1,476,884)	2,820,295	(199,610)	Transfers-Out w/o Reimbursement
		(1,111,039)	-	974,154	-	(136,885)	*Total Reclassified Transfers-In/Out w/o Reimbursement*
Donations and Forfeitures of Property	15,472	-	-	15,472	-	15,472	Donations and Forfeitures of Property
Imputed Financing	1,434,338	1,307,196	-	127,142	-	1,434,338	Imputed Financing Sources (Federal)
Other	(327,655)			173,120		173,120	Other non-budgetary financing sources for debt accruals/ amortization
				(302,699)		(302,699)	Non-Entity Collections Transferred to the General Fund

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

FY 2025 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2025 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**
		-	-	(199,122)	-	(199,122)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(194,079)	-	194,082	-	3	Borrowings and Other Interest Revenue (Non-exchange)
		-		1,043	-	1,043	Other Taxes and Receipts
Total Other	**$ (327,655)**	**$ (194,079)**	**$ -**	**$ (133,576)**	**$ -**	**$ (327,655)**	***Total Reclassified Other***
Net Cost of Operations	**130,088,330**	**95,669,676**	**-**	**34,418,654**	**-**	**130,088,330**	**Net Cost of Operations**
Ending Balance—Cumulative Results of Operations	**101,944,574**	**89,507,415**	**-**	**12,437,159**	**-**	**101,944,574**	**Net Position—Ending Balance**
Total Net Position	**$ 282,197,025**	**$ 90,608,639**	**$ -**	**$ 191,588,386**	**$ -**	**$ 282,197,025**	**Total Net Position**
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	162,167	-	-	162,167	-	162,167	Other Taxes and Receipts
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(162,167)	-	-	(67,446)	-	(67,446)	Non-Entity Custodial Collections Transferred to the General Fund
				(76,302)		(76,302)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
				14,460		14,460	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(32,879)	-	(32,879)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Total Disposition of Non-Exchange Custodial Collections	***$ (162,167)***	***$ -***	***$ -***	***$ (162,167)***	***$ -***	***$ (162,167)***	***Total Reclassified Disposition of Non-Exchange Custodial Collections***

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2025 *Dollars in Thousands*

DOT ENTITY	MAJOR CLASS OF ASSET	DESCRIPTION	COST TO RETURN TO ACCEPTABLE CONDITION/ BEGINNING BALANCE	COST TO RETURN TO ACCEPTABLE CONDITION/ ENDING BALANCE
FAA	Staffed Facilities	Buildings, structures, and facilities at major and nonmajor airports	$ 1,253,943	$ 1,736,721
	Unstaffed Faculties	Long range radars; unstaffed infrastructure and fuel storage tanks	1,873,057	2,334,807
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations-	37,678	32,108
	Buildings	Real property structure—U.S. Merchant Marine Academy	311,791	301,543
		Total	**$ 3,476,469**	**$ 4,405,179**

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 OAs of FAA and MARAD, which include facilities critical to our Nation's airspace and maritime operations.

The FAA reports deferred maintenance and repair for staffed and unstaffed facilities that are critical to safe operations of the nation airspace system. The staffed facilities include Tier 1 through Tier 4 air route traffic control centers (ARTCCs), airport traffic control towers (ATCTs), terminal radar approach control (TRACON) facilities, the William J. Hughes Technical Center (WJHTC), and the MMAC.

A qualified engineering firm assesses costs on a rotating basis. The unstaffed facilities include long-range radar facilities, unstaffed infrastructure, and fuel storage tanks. Costs for unstaffed facilities is determined using facility surveys or estimated based on the structure's age. 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 deferred maintenance and repair reports unstaffed infrastructure and fuel storage tanks facilities that have exceeded the assets' expected life expectancy. All of these facilities are capitalized general property, plant, and equipment, and most of these facilities are fully depreciated given that they were constructed over 50 years ago.

The FAA prioritizes the maintenance and repair of facilities by their operational significance within the national airspace system. Tier 1 and Tier 2 facilities are those staffed with FAA employees and contractors that support the busiest airports in the United States. Maintenance and repair activities are prioritized to elevate and sustain the greatest number of Tier 1 and Tier 2 facilities to fair or good condition within FAA's appropriated funding. Ancillary facilities such as long-range radars, unstaffed infrastructure, and fuel storage tanks that support Tier 1 and Tier 2 facilities are given higher priority than those that support Tier 3 and Tier 4 facilities. Tier 3 and Tier 4 facilities support airports with low operational air traffic volume.

The FAA DM&R unstaffed facilities calculations were updated to reflect the implementation of Very High Frequency Omnidirectional Range Minimum Operational Network Program, also known as VOR MON.

The DM&R at MARAD includes National Defense Reserve Fleet (NDRF), which includes the Ready Reserve Force (RRF) vessels and the Schoolships (Training Ships), as well as the USMMA campus facilities. MARAD manages these assets in alignment with established readiness standards, regulatory obligations, and budgetary constraints. For the RRF vessels, deferred maintenance is identified through a structured Annual Business Plan process administered by MARAD's Ship Managers. Each maintenance item submitted in the plan is prioritized according to its impact on vessel readiness and compliance with class and flag requirements. Work that cannot be funded within the fiscal year due to resource limitations is assigned to a deferred maintenance category and remains available for execution should funding become available later in the year. Cost estimates for these items are based on historical data and validated through competitive bidding, while adjustments for inflation are incorporated by factoring in changes to labor rates and material prices. This ensures that deferred maintenance estimates accurately reflect current economic conditions.

The Schoolship program follows a similar process. During the third quarter of each fiscal year, Area Divisions and General Agents compile Business Plan submissions that include a section for deferred work. These submissions undergo collaborative review and refinement, during which inflation factors and updated cost data are applied. This process, informed by engineering judgment and trend analysis, ensures that deferred maintenance items for Schoolships are accurately estimated and reflective of current market conditions for labor and materials.

The minimum maintenance funding required to sustain mission capability varies between program areas. For RRF vessels, there is no single standard amount; requirements depend on maintaining a vessel's five-day readiness status and fulfilling regulatory compliance obligations such as class certifications and dry-docking. In contrast, the Schoolship program has established that approximately $37.8 million is required to maintain the training fleet in a mission-capable condition. This figure represents the necessary investment to ensure these assets remain safe and functional for cadet training purposes.

MARAD assesses asset condition based on an asset's ability to fulfill mission requirements, comply with policy directives, and meet annual budget guidance. Since fiscal year 2015, MARAD has refined its DM&R reporting methodology to include only those unfunded requirements essential for maintaining mission readiness and acceptable operating conditions. This approach replaced a previous method that often-inflated DM&R estimates by including projects that, while desirable, exceeded minimum mission needs. Consequently, DM&R figures now reflect only those deficiencies that could impair mission performance if not addressed. Projects that improve conditions beyond this threshold are retained for planning purposes but are not included in DM&R unless they become critical for mission execution. This policy ensures that resources are concentrated on sustaining operational readiness while maintaining flexibility to address evolving priorities as conditions or funding change.

The Computerized Maintenance Management System (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.

The USMMA represents another major component of MARAD's asset portfolio and is committed to improving its facilities to maintain mission-critical infrastructure. As part of this effort, USMMA has initiated the implementation of a new CMMS to replace its original 2015 system. Full deployment of this enhanced CMMS is scheduled for fiscal year 2025, in conjunction with a Campus-Wide Maintenance contract. The upgraded system will improve the responsiveness and effectiveness of maintenance operations, strengthen data collection capabilities, and support trend analysis for better planning. It is also expected to enhance preventive maintenance and improve campus quality of life.

Deferred maintenance estimates for USMMA are based on the 2022 Final Assessment Report, which serves as the baseline facilities condition assessment. To maintain accuracy, inflation adjustments are applied annually using a cost multiplier derived from the 2022 Quarter 1 City Cost Index for Long Island, New York, updated each year with RSMeans data. RSMeans is a nationally recognized cost-estimating resource that reflects region-specific pricing for labor, materials, and equipment. This methodology ensures that deferred maintenance estimates remain aligned with current construction cost trends.

To sustain mission capability, USMMA has identified a significant requirement for addressing critical infrastructure needs. As of fiscal year 2025, approximately $100 million in prioritized deferred maintenance projects has been identified based on rough order-of-magnitude budget estimates. These projects represent the minimum investment necessary to maintain safe, functional, and mission-ready facilities. In support of this requirement, USMMA has requested $50 million in Facilities Maintenance, Repair, and Equipment (FMRE) funds as part of the FY 2026 President's Budget submission.

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2025 *Dollars in Thousands*

BUDGETARY RESOURCE ITEMS	FEDERAL-AID	FAA	FTA	MARAD	ALL OTHER	TOTAL
Budgetary Resources						
Unobligated Balance From Prior Year Budget Authority, Net	$ 25,620,230	$ 14,185,111	$ 34,128,936	$ 2,729,405	$ 69,260,427	$ 145,924,109
Appropriations (Note 1W)	23	34,311,355	6,657,803	1,414,798	37,194,269	79,578,248
Borrowing Authority	-	-	-	2,496	7,099,028	7,101,524
Contract Authority	60,376,605	4,000,000	15,660,095	-	2,199,142	82,235,842
Spending Authority From Offsetting Collections	498,726	13,166,531	1,065	1,189,607	1,650,998	16,506,927
Total Budgetary Resources	**$ 86,495,584**	**$ 65,662,997**	**$ 56,447,899**	**$ 5,336,306**	**$ 117,403,864**	**$ 331,346,650**
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$ 58,879,939	$ 40,743,948	$ 24,542,080	$ 2,190,388	$ 51,065,015	$ 177,421,370
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	3,643,671	22,054,868	31,853,616	2,935,468	62,874,526	123,362,149
Unapportioned, Unexpired Accounts	23,971,974	2,672,437	6,393	189,916	3,125,889	29,966,609
Unexpired Unobligated Balance, End of Year	27,615,645	24,727,305	31,860,009	3,125,384	66,000,415	153,328,758
Expired Unobligated Balance, End of Year	-	191,744	45,810	20,534	338,434	596,522
Unobligated Balance, End of Year	**27,615,645**	**24,919,049**	**31,905,819**	**3,145,918**	**66,338,849**	**153,925,280**
Total Budgetary Resources	**$ 86,495,584**	**$ 65,662,997**	**$ 56,447,899**	**$ 5,336,306**	**$ 117,403,864**	**$ 331,346,650**
Outlays, Net						
Outlays, Net	$ 56,025,435	$ 24,805,773	$ 25,347,339	$ 993,293	$ 21,634,333	$ 128,806,173
Distributed Offsetting Receipts	(23)	(23,641)	(22,861)	(47,631)	(1,161,178)	(1,255,334)
Agency Outlays, Net	**$ 56,025,412**	**$ 24,782,132**	**$ 25,324,478**	**$ 945,662**	**$ 20,473,155**	**$ 127,550,839**
Disbursements, Net				**$ (38,825)**	**$ 6,152,157**	**$ 6,113,332**

MARINE WAR RISK INSURANCE PROGRAM (UNAUDITED)

For FY 2025, MARAD covered nonpremium war risk insurance with a total coverage per year of $383 million for DoD controlled vessels. The DoD indemnifies MARAD pursuant to 10 U.S.C § 2645, which requires DoD to reimburse 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 $54 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 2025 there were no outstanding policies or obligations for the premium based war risk insurance program. There is no liability related to this insurance program reflected in the DOT consolidated financial statements as of September 30, 2025.

PP&E LAND (UNAUDITED) AND STEWARDSHIP LAND ESTIMATED ACREAGE BY PREDOMINANT USE

FY 2025	COMMERCIAL	CONSERVATION AND PRESERVATION	OPERATIONAL	TOTAL ESTIMATED ACREAGE
PP&E Land and Land Rights				
End of Prior Year/Start of Current Year (October 1, 2024)	11,802	-	101,094	112,896
End of Current Year (September 30, 2025)	11,802	-	102,979	114,781
Stewardship Land and Land Rights				
End of Prior Year/Start of Current Year (October 1, 2024)	-	20	44	64
End of Current Year (September 30, 2025)	-	20	44	64
PP&E Land Held for Disposal or Exchange (also included in the balances above)				
End of Prior Year/Start of Current Year (October 1, 2024)	-	-	571	571
End of Current Year (September 30, 2025)	-	-	550	550

The FAA has 81,912 acres of PP&E land of which 11,802 is for commercial use and 70,110 is used for operational. FAA also has 550 acres of operational use PP&E 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 WMAA 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 MWAA, 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 PP&E land and land rights. FRA's Transportation Technology Center (TTC) near Pueblo, Colorado, is 50 square miles. The land supports Research and Development (R&D) and training for FRA. The TTC mission is "to maintain state-of-the-art research and test capabilities to support DOT and other governmental and private entities in problem solving, personnel training, product evaluation and the support of research and development of new emerging technologies to improve the safety, security, efficiency and environmental impact of transportation".

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 heritage 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 141 acres of operational use PP&E land and Stewardship land of which 97 acres is PP&E 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 RRF or in the NDRF which is maintained in a retention status for the Department of Defense." MARAD owns and operates PP&E 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 (Federal Managers Financial Integrity Act of 1982 (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

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 Federal Financial Management Improvement Act of 1996 (FFMIA)

MATERIAL WEAKNESSES	BEGINNING BALANCE	NEW
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. U.S. Standard General Ledger (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, 2025 *Dollars in Thousands*

SURFACE TRANSPORTATION	2025
Federal Highway Administration (FHWA)	
Federal Aid Highways (HTF)	$ 62,810,767
Other Highway Trust Fund Programs	25,917
General Fund Programs	322
Appalachian Development System	117,756
Federal Motor Carrier	2,838
Total FHWA	**62,957,600**
Federal Transit Administration (FTA)	
Transit Infrastructure Grants	2,364,088
Formula Grants	1,341
Capital Investment Grants (CIG)	2,598,306
Washington Metro Area Transit Authority	115,241
Formula and Bus Grants	16,234,355
Total FTA	**21,313,331**
TOTAL SURFACE TRANSPORTATION NON-FEDERAL PHYSICAL PROPERTY INVESTMENTS	**$ 84,270,931**

AIR TRANSPORTATION	2025
Federal Aviation Administration (FAA)	
Airport Improvement Program (AIP)	$ 3,425,844
Relief for Airports	24,787
Airport Infrastructure Grants Program	2,231,633
Airport Terminal Program	1,231,421
Total Air Transportation Non-Federal Physical Property Investments	**6,913,685**
TOTAL NON-FEDERAL PHYSICAL PROPERTY INVESTMENTS	**$ 91,184,616**

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

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

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.

CIG replaced discretionary grants in fiscal year (FY) 1999 and provides capital assistance to finance acquisition, construction, reconstruction, and improvement of facilities and equipment. CIG funds 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.

Did You Know This About FAA?

3 million+ passengers fly every day in and out of U.S. Airports.

Inspector General's FY 2026 Top Management Challenges

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: January 6, 2026

Subject: INFORMATION: DOT's Fiscal Year 2026 Top Management Challenges
Project No. 25P9001P000

From: Mitch Behm
Deputy Inspector General performing the duties of the Inspector General

To: The Secretary
Deputy Secretary

Our Nation's long-term success depends on the Department of Transportation (DOT) delivering a safe, efficient, and modern transportation system. The Office of Inspector General (OIG) supports DOT's mission by conducting audits and investigations of the Department's programs and operations to promote economy and effectiveness while helping detect and prevent fraud, waste, and abuse. Each year, as required by law, we provide DOT with an independent assessment of its top management challenges. Guided by our oversight work, this report is intended to help the Department focus attention and resources on areas that are critical to increasing safety, improving efficiency, and contributing to innovation.

We considered several criteria to identify the Department's top management challenges for fiscal year 2026, including safety impacts, established vulnerabilities, fiscal accountability, and DOT's ability to effect change. We identify and discuss the following challenge areas:

- Aviation Safety
- Surface Transportation Safety
- Air Traffic Control and Airspace Modernization
- Surface Transportation Infrastructure
- Financial Stewardship
- IT Security
- Transportation Innovation
- Curbing Waste, Fraud, and Abuse

Inspector General's FY 2026 Top Management Challenges (CONT.)

Safety is DOT's first priority, and aviation safety remains the primary focus for the Federal Aviation Administration (FAA). Recent aviation accidents, runway incursions, mechanical failures, and a midair collision continue to keep serious safety concerns at the forefront. Addressing these concerns and maintaining the safety and efficiency of the National Airspace System (NAS) will depend on FAA's ability to address challenges related to air traffic control (ATC) and airspace modernization. Specifically, persistent staffing shortages at key ATC facilities and reliance on aging ATC systems highlight the urgent need to recruit and train new controllers and modernize critical infrastructure. Furthermore, to maintain effective safety oversight, FAA must balance obtaining compliance with careful collaboration across the aviation industry. At the same time, it must ensure inspectors are strategically positioned to address noncompliance, despite ongoing staffing and resource limitations.

DOT's emphasis on safety extends to its efforts to reduce fatalities on the Nation's roads and rails. While motor vehicle fatalities and injuries have declined in recent years, the Department continues to face challenges in prioritizing actions that further improve surface transportation safety and protect both transportation workers and the traveling public. Additionally, DOT must ensure that surface transportation investments deliver long-term value. The Department oversees billions in funding for roads, bridges, rail, transit, ports, and energy systems. However, rising costs and construction workforce shortages contribute to DOT's challenges. To meet its ambitious infrastructure goals, DOT must strategically allocate resources, support transit agencies in expanding or upgrading services, and ensure systems are maintained in a state of good repair.

In addition, DOT's efforts to deliver a safe and reliable transportation system depend on strong financial stewardship. In fiscal year 2024, DOT's budgetary resources for departmental programs and operations were approximately $293 billion, with over $121 billion of that amount obligated in grant and contract funds—an 8-percent increase from the previous year. However, the Department faces ongoing challenges in streamlining grant and contract processes and implementing updated financial management and reporting requirements to ensure efficiency and accountability.

Furthermore, as DOT focuses on cybersecurity, the Department must address growing and persistent risks to its digital infrastructure. Unaddressed high-risk vulnerabilities reflect gaps in the Department's security practices and underscore the need to enforce cybersecurity policies and prioritize timely remediation efforts to protect sensitive data and infrastructure.

DOT also continues to prioritize research and innovation to address current challenges and modernize the Nation's transportation system. Advancing these goals requires coordinated efforts across multiple modes of transportation, including safely managing the growth of commercial space transportation, implementing a regulatory framework for beyond visual line of sight drone operations in the NAS, and developing strategies to enable the deployment of vehicle automation and driver assistance technologies.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Through it all, DOT must also protect the significant public investments in our Nation's transportation system from waste, fraud, and abuse. However, the Department continues to face challenges verifying that funds are used as intended. Strengthening oversight in high-risk areas and holding individuals accountable for bribery and fraud are essential to protecting both taxpayer-funded resources and the integrity of DOT programs.

In addition to addressing longstanding safety and infrastructure responsibilities, this year the Department has identified a set of overarching priorities related to achieving its evolving workforce, operations, and strategic goals. Key focus points DOT has announced include advancing the Administration's priorities in areas such as government efficiency, regulatory reform, and technological innovation; rebalancing its workforce and facilities resources through a recently issued 1DOT initiative; and implementing provisions of the Department's new Strategic Plan, once formalized.

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

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

cc: DOT Audit Liaison, M-1

Inspector General's FY 2026 Top Management Challenges (CONT.)

Index of DOT Operating Administrations Discussed in Each Chapter

Operating Administration	Chapters
Departmentwide	Financial Stewardship Information Technology Security Curbing Fraud, Waste, and Abuse
Federal Aviation Administration (FAA)	Aviation Safety Air Traffic Control and Airspace Modernization Transportation Innovation
Federal Highway Administration (FHWA)	Surface Transportation Safety Surface Transportation Infrastructure
Federal Motor Carrier Safety Administration (FMCSA)	Surface Transportation Safety
Federal Railroad Administration (FRA)	Surface Transportation Safety Surface Transportation Infrastructure
Federal Transit Administration (FTA)	Surface Transportation Safety Surface Transportation Infrastructure
Great Lakes St. Lawrence Seaway Development Corporation (GLS)	(see Departmentwide)
Maritime Administration (MARAD)	Surface Transportation Infrastructure
National Highway Traffic Safety Administration (NHTSA)	Surface Transportation Safety Transportation Innovation
Office of the Secretary of Transportation (OST)	Surface Transportation Safety Surface Transportation Infrastructure
Pipeline and Hazardous Materials Safety Administration (PHMSA)	Surface Transportation Infrastructure

Inspector General's FY 2026 Top Management Challenges (CONT.)

Aviation Safety

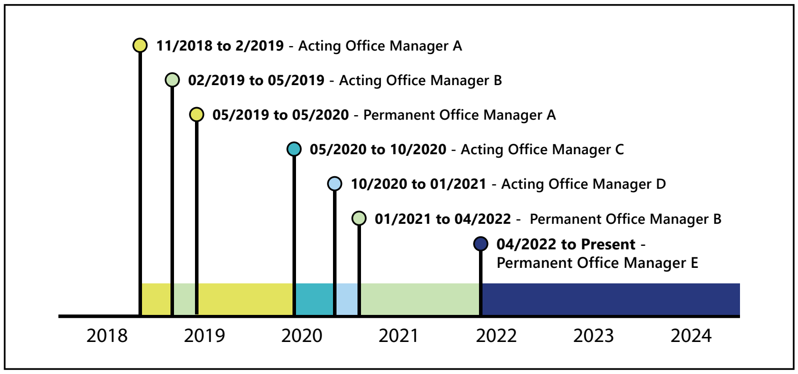
OAs Impacted: FAA

Aviation safety remains FAA's primary mission, but recent accidents, runway incursions, mechanical failures, and a midair collision have highlighted significant safety concerns. To maintain vigilant oversight, FAA must carefully balance using the right tools to gain rapid compliance with safety requirements while collaborating with industry to enhance safety and inform decision making. FAA must also ensure that inspectors are properly positioned to address and resolve air carriers' noncompliances in the face of staffing and resource challenges.

Balance Compliance Challenges With Collaboration When Overseeing Air Carrier Maintenance Programs

- When overseeing the aviation industry, FAA's approach to compliance stresses a collaborative problem-solving strategy with the goal of achieving rapid compliance with regulations, eliminating safety risks, and fostering permanent change. However, as we have reported in multiple audits of FAA's oversight of air carrier maintenance programs, the recurrence of complex safety issues suggests that inspectors face challenges with identifying and addressing systemic hazards. When FAA inspectors do not consistently analyze historical data to identify repeat noncompliance, they miss opportunities to address root causes and prevent recurrence.
- Most recently, we found that maintenance inspectors at FAA's SkyWest Certificate Management Office (CMO) were not always adhering to FAA guidance when addressing noncompliance, and FAA inspection managers were directing noncompliance resolution methods not included in FAA guidance. Such non-standard practices can cause confusion at the air carrier regarding the seriousness of the identified risks.
- FAA's oversight was further challenged by turnover in the Agency's SkyWest CMO management positions (see figure), which resulted in a loss of institutional knowledge, hindered communications with the carrier, and delayed noncompliance resolution. For example, without a formal process for managing communication and processing Compliance Actions during staff turnover, miscommunication can lead to erosion of trust and degrade cooperation between the air carrier and CMO.

Management Changes at FAA's SkyWest CMO



Source: OIG analysis of FAA SkyWest CMO data.

Related Investigative Work

OIG investigates a wide range of crimes impacting aviation safety, including falsified airman's logs; suspected unapproved parts; violations of DOT's safety regulations and statutes; interference with an aircraft by shooting or pointing a laser; certificate fraud by a mechanic, repair station, commercial airman, or flight instructor/school; and flying aircraft under the influence. For example:

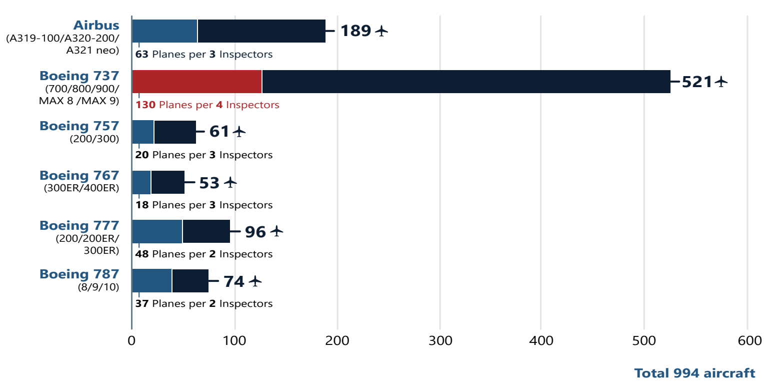
- The former CEO of a helicopter company in Guam was sentenced to over 33 years in prison and fined $250,000. The company received a $4.9 million fine and 5 years of probation. Both were convicted of conspiracy to defraud FAA and the National Transportation Safety Board, aircraft parts fraud causing serious injury or death, employing uncertified mechanics and pilots, wire fraud, and money laundering.
- An Oklahoma resident was sentenced to 42 months in prison and 36 months of supervised release for shooting at a police helicopter.
- A former air ambulance pilot in Kentucky was sentenced to 8 months in prison, 18 months of supervised release, and 4 months of home detention for flying under the influence with a .35 blood alcohol concentration.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Maintain Aviation Safety While Facing Staffing Shortages, Under-Resourced Inspections, and Data Access Limitations

- FAA has experienced longstanding inspector staffing shortages, which has led to challenges in completing all required inspections. Our ongoing audit work has found FAA's inability to fill position vacancies and failure to plan for impending retirements has left some FAA offices ill-equipped to fulfill their surveillance and oversight responsibilities. This is evident by the imbalance of inspector staffing levels within FAA's United CMO to oversee some of the carrier's fleets (see figure). Additionally, FAA inspector vacancies are 43 percent and 27 percent for operations and avionics inspectors within the United CMO, respectively.
- Further, FAA conducts inspections virtually, when resources—such as staffing or travel funding—are not available, for conditions that need an inspector to observe in person. However, our work has shown this practice could adversely impact the results of FAA's Risk Quantification Models, which the Agency uses to support risk-based decision making and prioritize areas for inspections. These models do not account for the uncertainty risk associated with conducting an inspection virtually under these constraints.
- FAA's inspections have also been challenged by delays or impediments to inspector access to air carrier data, including Safety Management Systems (SMS). This can slow the resolution of identified risks and noncompliance and may prevent inspectors from adequately assessing risk and verifying the root cause of a problem to prevent reoccurrence.

FAA United CMO Airworthiness Inspectors Per Fleet as of July 2025 With Projections



Source: OIG analysis of United Airlines Holding, Inc. (2024). Form 10-K and FAA data.

Recent Progress Reported by the Department

- In response to our recommendations on FAA's oversight of American Airlines' maintenance program, FAA began delivery of its Root Cause Analysis training course and associated electronic publications earlier this year.
- FAA developed an SMS training course to help inspectors evaluate air carrier risk assessments and has completed 6 offerings that have trained 111 employees, including 94 inspectors.

Related OIG Work

- FAA Has Not Resolved Persistent Issues With SkyWest's Maintenance Practices
(July 28, 2025)
>> 7 recommendations (7 open, 0 closed)

- Capstone Memorandum: Observations and Common Themes in OIG's Recent Work on FAA's Oversight of Air Carrier Maintenance Programs
(January 5, 2022)
>> None

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.

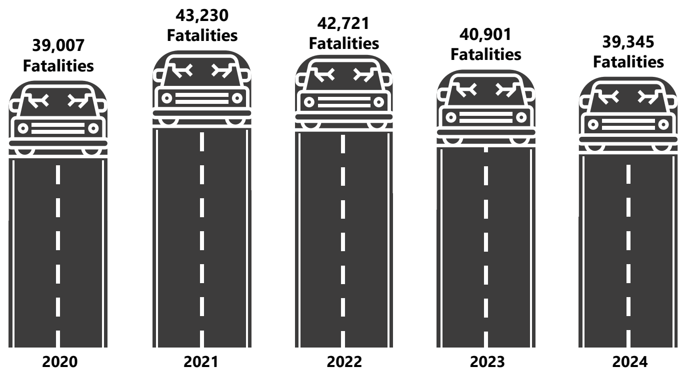
Inspector General's FY 2026 Top Management Challenges (CONT.)

Surface Transportation Safety

OAs Impacted: FHWA, FMCSA, FRA, FTA, NHTSA, OST

DOT is dedicated to making the U.S. transportation system the safest in the world, which requires the Department's continued efforts to reduce surface transportation-related fatalities and injuries. From 2021 to 2024, DOT records show motor vehicle traffic fatalities were reduced by 9 percent—from 43,230 to an estimated 39,345 (see figure). Still, DOT faces challenges in prioritizing actions to further improve highway safety and reduce fatalities as well as protecting transportation workers and travelers.

Trends in Traffic Fatalities, 2020–2024



Source: OIG analysis of NHTSA data.

Prioritize Actions To Further Improve Safety and Reduce Fatalities and Injuries on the Nation's Roads and Rails

- While motor vehicle fatalities have decreased since their recent peak in 2021, DOT can take further action to meet its goals of improving highway safety and reducing fatalities. This includes establishing methods for measuring the impact of priority actions DOT has taken in recent years as part of its collective efforts to reduce roadway fatalities and serious injuries. In addition, NHTSA has opportunities to strengthen its Special Crash Investigations Program's procedures for collecting data to help pursue critical vehicle safety improvements. The Department can also advance its oversight of Motor Carrier Safety Assistance Program grantees by holding States more accountable for prioritizing Commercial Vehicle Safety Plan goals and improving performance tracking.
- In service of FRA's top priority of safety, the Agency's hours-of-service, fatigue management, and roadway worker protection regulations aim to ensure rail workers have the rest and track protection needed to operate safely. Despite these requirements, the number of human factor-caused train accidents has increased since 2016; however, this metric improved by 17.1 percent in 2024 compared to 2023. Also, the rate of train accidents per million train miles trended upward from 2016 to 2023 (see figure on next page), though again, this metric improved 13.4 percent from 2023 to 2024. To address this challenge, FRA should effectively target its limited resources at ensuring railroads comply with hours-of-service, fatigue management, and roadway worker protection requirements.

Related Investigative Work

OIG's transportation safety investigations aim to enhance DOT's transportation safety goals by addressing severe violations of DOT's safety regulations. These investigations can include allegations of certificate fraud by medical examiners for commercial driver's licenses, illegal transportation of hazardous materials by rail and motor carriers, falsification of pipeline records such as radiographs, and violations of DOT safety regulations and statutes involving conspiracy and false statements. For example:

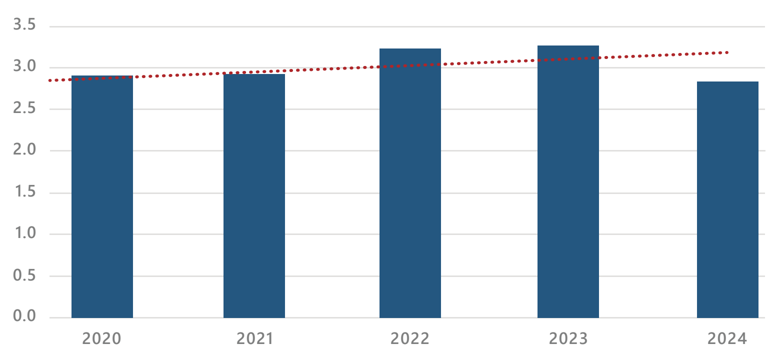
- A former motor carrier owner was indicted in Texas on conspiracy and fraud charges for lying to and obstructing FMCSA during an investigation into the death of one of the owner's drivers. The owner managed multiple trucking companies despite a Federal court order not to do so. The indictment also alleges that the owner financed his illegal trucking companies by using fraudulently obtained Paycheck Protection Program funds and attempted to intimidate a witness in the investigation.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Protect Transportation Workers and the Traveling Public

- DOT faces the challenge of overseeing effective implementation of its specific transportation worker and traveler protection priorities. For example, one of the Department's initiatives to support commercial drivers includes expanding safe truck parking. Within this effort, the Department issued a memorandum highlighting State Freight Plan commercial motor vehicle parking assessment requirements and funding for States to expand truck parking—such as a grant of nearly $25 million awarded to West Virginia. DOT needs to sufficiently evaluate States' Freight Plans to ensure they meet requirements to help provide commercial drivers with safe parking locations. Furthermore, DOT's oversight of truck parking expansion funds will be critical to ensure States use the money appropriately.
- The Department has also expressed safety concerns with New York City Transit Authority (NYCT)—the Nation's largest transit agency—and requested information on NYCT's safety effort performance measures and federally funded safety and security improvements. FTA oversees safety at rail transit systems through its State Safety Oversight program and oversight of the Nation's State Safety Oversight Agencies (SSOAs). As DOT seeks to strengthen transit safety, officials should expeditiously address our August 2025 audit recommendations, which include actions to improve FTA's SSOA oversight, quality control, and data management.

Rate of Train Accidents Per Million Train Miles



Source: OIG analysis of FRA data. (Note: data excludes crashes at highway-rail grade crossings.)

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

Tiffany Mostert
Assistant Inspector General for Surface Transportation Audits
(202) 366-0625 | Tiffany.Mostert@oig.dot.gov

Recent Progress Reported by the Department

- In June 2025, the Department announced that FMCSA would implement a Medical Examiner's Certification Integration rule that makes a major advancement in the safety and integrity of the commercial driver licensing process.
- As of December 8, 2025, FRA had taken action to close 23 of 32 recommendations across our audit reports that address FRA's lack of written procedures and formal planning for oversight of railroad hours of service compliance, passenger railroad fatigue management, and roadway worker protection requirements.

Related OIG Work

- FTA's Oversight of State Safety Oversight Agencies Could Be Enhanced Through Communication, Audit Process, and Data Management Improvements (August 13, 2025)
  >> 5 recommendations (5 open, 0 closed)
- NHTSA's Special Crash Investigations Program Lacked Adequate Procedures in Key Program Areas (July 9, 2025)
  >> 3 recommendations (3 open, 0 closed)
- FRA Needs To Improve Its Inspection and Data Collection Processes To Effectively Oversee Compliance With the Roadway Worker Protection Regulation (May 14, 2025)
  >> 13 recommendations (6 open, 7 closed)
- FRA Lacks Written Procedures and Formal Planning for Oversight of Railroad Hours of Service Compliance and the Passenger Railroad Fatigue Management Requirements (March 27, 2024)
  >> 19 recommendations (3 open, 16 closed)

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

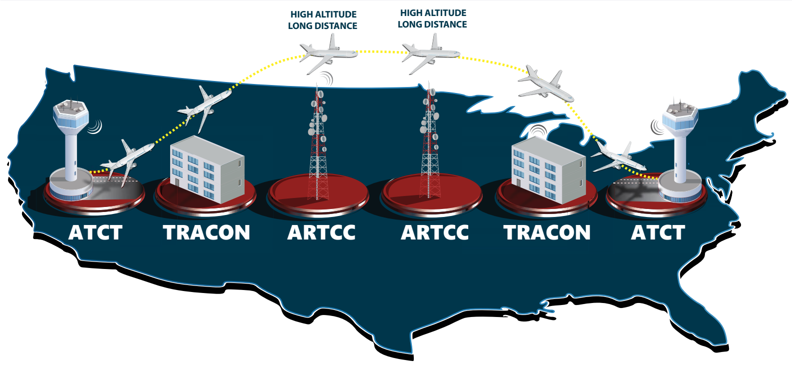
Inspector General's FY 2026 Top Management Challenges (CONT.)

Air Traffic Control and Airspace Modernization

OAs Impacted: FAA

Air carriers operate over 44,000 scheduled flights, transporting millions of passengers in the United States each day. FAA's challenges with ensuring adequate controller staffing at critical air traffic control (ATC) facilities and its reliance on aging ATC systems have raised concerns about the efficiency and integrity of the National Airspace System (NAS). Hiring and training the next generation of air traffic controllers and successfully modernizing ATC systems will be essential to curbing flight delays and cancellations and sustaining the integrity of the NAS.

Overview of Air Traffic Control Facilities in the NAS



Air Traffic Control Towers (ATCT) manage air traffic within roughly 15 miles of arrival and departure airports.

Terminal Radar Approach Control (TRACON) facilities manage air traffic within 50 miles of arrival and departure airports and typically up to 18,000 feet in altitude.

Air Route Traffic Control Centers (ARTCC) manage air traffic beyond a TRACON's airspace and at altitudes above 18,000 feet.

Source: OIG analysis of FAA information.

Hire and Train the Next Generation of Air Traffic Controllers While Sustaining the Integrity of the NAS

- Our work and that of others have shown FAA faces longstanding challenges in securing adequate air traffic controller staffing at the Nation's most critical facilities, contributing to flight delays and cancellations. For example, we reported in June 2023 that the New York TRACON experienced 170 staffing triggers from August 2021 through August 2022, an action FAA takes when staffing constraints lead to a need to reduce the amount of traffic. More recently, the National Academies of Sciences, Engineering, and Medicine reported that 19 of the busiest ATC facilities that serve FAA's Core 30 Airports are more than 15 percent below FAA's staffing targets.

- As FAA works to hire and train the next generation of controllers, the Agency also faces challenges sustaining the integrity of our Nation's air traffic infrastructure. In April 2025, air traffic controllers overseeing Newark's airspace experienced an approximately 90-second blackout of radar and radio contact with air traffic due to a burnt copper wire. An additional 90-second outage occurred on May 9, 2025, due to failures of both primary and redundant communication infrastructure. Investing in technology and redundant infrastructure across the NAS will be key to prevent further occurrences like these and maintain NAS integrity.

Related Recent Events

The Department and FAA have recently announced a number of actions aimed at addressing the longstanding shortage of certified air traffic controllers. For example:

- In November 2024, FAA announced its Enhanced Air Traffic-Collegiate Training Initiative (AT-CTI). This program allows qualified institutions to provide their students with equivalent FAA Academy training. Graduates of Enhanced AT-CTI schools can bypass the FAA Academy and begin training at an air traffic facility.

- The Department announced plans to offer increased monetary incentives for newly hired controllers who successfully complete training. It also began offering retirement eligible controllers a bonus of 20 percent of their basic pay for each year they continue to work.

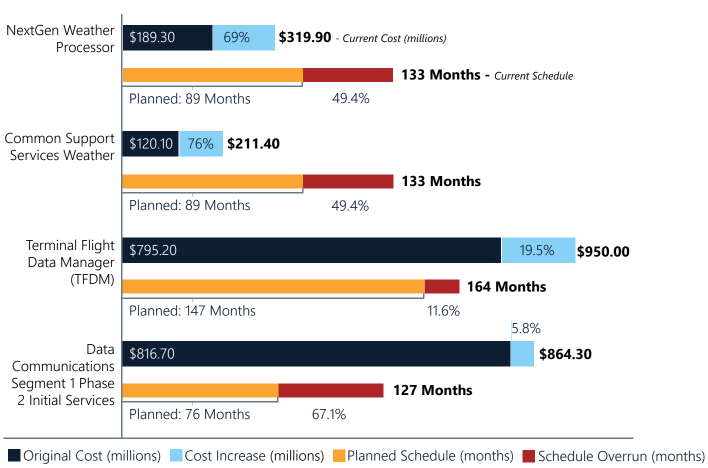
DOT's Top Management Challenges (FY 2026) www.oig.dot.gov | 9

Inspector General's FY 2026 Top Management Challenges (CONT.)

Develop a Comprehensive Plan That Anticipates and Mitigates Challenges to Successfully Modernizing the Nation's Air Traffic Control System

- DOT recently unveiled plans for building a Brand New Air Traffic Control System (BNATCS). The plan would require total funding of $31.5 billion through 2028 to, among other things, replace aging radars, consolidate ATC facilities, and complete implementation of ongoing modernization programs. This investment plan comes as FAA works to terminate the Office of the Next Generation Air Transportation System (NextGen), which oversaw the Agency's prior multidecade, multibillion-dollar modernization efforts. Our multiple reports identified various challenges to NextGen's implementation that led to cost increases, schedule overruns, and delayed or reduced benefits and capabilities (see figure).
- While the Department has provided a high-level overview of its proposed BNATCS actions, FAA has yet to unveil a comprehensive plan that anticipates and mitigates implementation challenges. Since 2013, we have reported several underlying causes for FAA's difficulties in advancing NextGen, including the lack of an executable plan and unresolved critical design decisions regarding implementation costs and how technologies would be developed or integrated. To avoid these longstanding challenges that delayed NextGen, FAA will need a comprehensive BNATCS plan that also addresses the potential impact of external factors beyond the Agency's control, such as inflation and supply chain challenges. As we recently reported, external factors contributed to cost increases and schedule delays in deploying FAA's Terminal Flight Data Manager (TFDM) system—an automation tool that introduces electronic flight strips and surface management tools—and contributed to the Agency having to reduce the number of deployment sites from 89 airports to 49. However, through BNATCS, FAA now plans to deploy TFDM to all 89 planned sites.

Cost and Schedule Increases for Ongoing Key NextGen Program as of Fiscal Year End 2023



Source: OIG analysis of FAA information.

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

- In July 2025, FAA transitioned to a brand-new fiber optic communications network between the New York and Philadelphia TRACONs to improve the reliability of operations for Newark airport.
- FAA deployed TFDM to San Francisco International Airport in August 2025.

Related OIG Work

- Capstone Memorandum: Observations and Lessons Learned From OIG Reviews of the Next Generation Air Transportation System (September 29, 2025)
  >> None
- FAA Can Improve the Reliability of Overall Benefit and Cost Projections for NextGen by Fully Assessing the Impact of External Factors (July 23, 2025)
  >> 1 recommendation (1 open, 0 closed)
- FAA Has Begun To Deploy TFDM, but Cost Growth Has Resulted in Significant Program Changes and Delayed Benefits (July 17, 2024)
  >> 3 recommendations (3 open, 0 closed)
- FAA Faces Controller Staffing Challenges as Air Traffic Operations Return to Pre-Pandemic Levels at Critical Facilities (June 21, 2023)
  >> 2 recommendations (1 open, 1 closed)

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

Inspector General's FY 2026 Top Management Challenges (CONT.)

Surface Transportation Infrastructure

OAs Impacted: FHWA, FRA, FTA, MARAD, OST, PHMSA

DOT oversees billions of dollars in surface infrastructure investments that support the construction and maintenance of road, bridge, rail, transit, port, and energy system projects and programs. A combination of issues—such as rising costs and construction workforce shortages—are amplifying the challenges facing DOT. As such, DOT must effectively target surface transportation funding toward achieving priority outcomes and oversee public transit agencies' efforts to expand their systems or increase their capacity, while also maintaining their systems in a state of good repair.

Target Surface Transportation Funding for Priority Outcomes

• DOT faces challenges assessing the risks associated with its surface transportation investments as it strives to direct funds to the Nation's highest priority infrastructure needs. For example, FHWA reviews and approves State Departments of Transportation Statewide Transportation Improvement Programs (STIPs), which detail States' planned surface transportation infrastructure projects to ensure they use and budget Federal funds properly. In 2024, we recommended FHWA improve its oversight of STIPs that include Infrastructure Investment and Jobs Act (IIJA)-funded projects. As DOT prepares to begin the final year of IIJA's 5-year funding authorization, it is important that the Department identify priority outcomes and target its remaining IIJA funding to address those outcomes.

• DOT's timely obligation and disbursement of funds is an important aspect of the Department's efforts to address its surface transportation priorities. Through August 2025, DOT's surface transportation Operating Administrations and OST had obligated 74 percent and disbursed 42 percent of the approximately $436.4 billion in total available IIJA funding (see figure). Of particular note, MARAD's Port Infrastructure Development Program, which received $2.25 billion in total IIJA funding, has obligated about 18 percent and disbursed about 1 percent of its available funding.

IIJA Funding Through August 31, 2025, for Surface Transportation Operating Administrations and OST (Dollars in Millions)

DOT Agency	IIJA Adjusted Budget Authority	IIJA Obligations	IIJA Obligations Percent of Adjusted Budget Authority	IIJA Disbursments	IIJA Disbursements Percent of Adjusted Budget Authority
FHWA	$260,283	$217,033	83%	$138,940	53%
FTA	$90,042	$55,383	62%	$27,841	31%
FRA	$65,491	$45,903	70%	$13,840	21%
MARAD	$1,825	$340	19%	$27	1%
PHMSA	$1,215	$1,122	92%	$334	27%
OST	$17,535	$3,814	22%	$1,011	6%
Total	**$436,391**	**$323,595**	**74%**	**$181,993**	**42%**

Source: OIG analysis of DOT-provided information through August 31, 2025, for FHWA, FTA, FRA, MARAD, PHMSA, and OST. Budget authority amounts reflect adjustments and transfers. Amounts include IIJA-authorized appropriations. All numbers are rounded.

Related Investigative Work

OIG's investigations help protect the Government's surface infrastructure investments by investigating fraud schemes involving false representations, bid rigging, conspiracy, wire fraud, false claims, and more. For example:

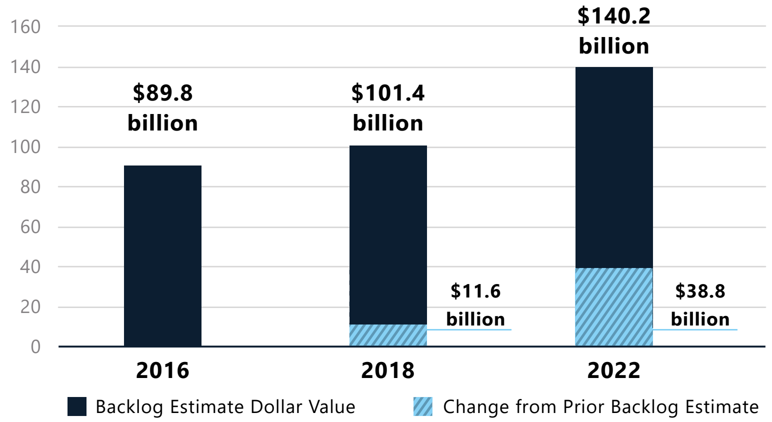
- A former South Carolina DOT employee pleaded guilty to false representations to a Federal agency by backdating unperformed, pre-award "Buy America" audit certifications to FTA. These false certifications and related emails were created during a review of award management practices and did not exist on the dates shown.
- A Minnesota asphalt contractor agreed to pay nearly $1.3 million to settle claims of falsified quality test results. The contractor allegedly submitted false results to the Government to receive financial incentives for superior quality paving material and avoid deductions for lower-quality material, potentially resulting in unearned payments.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Oversee Public Transit Agencies' Efforts To Expand Systems or Increase Capacity, While Maintaining a State of Good Repair

- DOT faces an increasing financial challenge as FTA aims to help the Nation's transit agencies maintain their public transportation systems in a state of good repair. With an estimated state of good repair backlog of over $140 billion in 2022 (see figure), FTA's oversight of funding to address the backlog is essential. This oversight includes FTA reviewing funding recipients' Transit Asset Management (TAM) plans, which establish performance targets to improve systems' state of good repair, and determining whether funding applicants are making progress towards meeting their TAM performance targets when awarding Capital Investment Grants (CIG) funding intended to expand systems or increase their capacity. We recently found that FTA did not verify applicants' self-reported progress toward meeting TAM performance targets when awarding those grants—which may increase the risk of FTA awarding funds to recipients that have not actually demonstrated progress.
- DOT also has challenges in overseeing Federal-aid highway projects, which depend on State DOTs' quality assurance programs to ensure the quality of construction materials and workmanship. We recently reported that FHWA Division Offices could not demonstrate they fully approved these programs as required. Furthermore, FHWA Headquarters' reviews did not fully address program compliance with regulatory requirements and efforts to reduce the risk of fraud.

FTA's State of Good Repair Backlog Estimates, 2016–2022



Source: OIG analysis of FTA and the Volpe National Transportation Systems Center data.

Recent Progress Reported by the Department

- DOT reported progress in obligating grants—approximately 529 infrastructure grants totaling over $2.9 billion—since January 2025. In July 2025, the Secretary testified to clearing over a third of the backlog of 3,200 grant projects.
- DOT changed its National Environmental Policy Act, implementing procedures to accelerate major infrastructure projects, minimize delays, and curb compliance costs.

Related OIG Work

- FTA Did Not Verify Transit Asset Management Performance Target Progress Prior to Awarding Capital Investment Grants
(December 17, 2025)
>> 1 recommendation (1 open, 0 closed)
- FHWA Lacks Adequate Guidance and Procedures for Its Oversight of Construction Quality Assurance
(February 18, 2025)
>> 13 recommendations (13 open, 0 closed)
- Opportunities Exist To Improve FHWA's Oversight of STIPs, Including Those With IIJA-Funded Projects
(April 1, 2024)
>> 3 recommendations (2 open, 1 closed)

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

Tiffany Mostert
Assistant Inspector General for Surface Transportation Audits
(202) 366-0625 | Tiffany.Mostert@oig.dot.gov

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

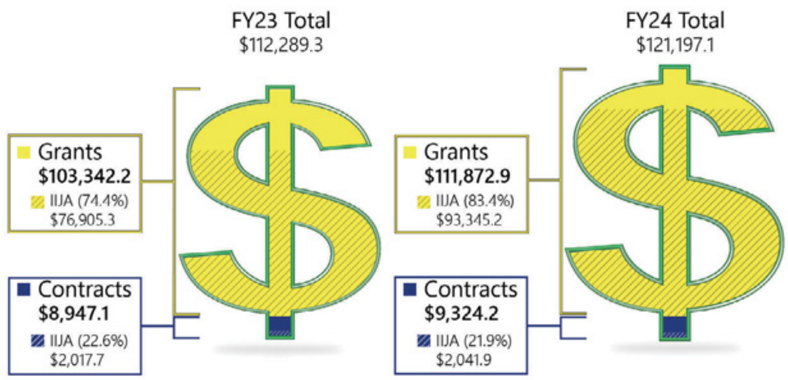
Inspector General's FY 2026 Top Management Challenges (CONT.)

Financial Stewardship

OAs Impacted: Departmentwide

DOT's fiscal year 2024 budgetary resources included approximately $293 billion for departmental programs and operations. From this, DOT obligated over $121 billion in grant and contract funds during fiscal year 2024. This represents an 8-percent increase from fiscal year 2023 and the highest amount of annual Infrastructure Investment and Jobs Act (IIJA) funds obligations (see figure). Sound financial stewardship is vital to delivering a safe and reliable national transportation system. However, DOT faces challenges such as adopting streamlined grant and contract processes to support efficient and cost-effective outcomes and implementing updated financial management and reporting requirements.

DOT Grant and Contracts Obligations, Fiscal Year 2023 vs. 2024 (in Millions)



Source: OIG analysis of DOT grant and contract obligation data provided by OST.

Adopt Streamlined Grant and Contract Processes To Support Efficient and Cost-Effective Outcomes

- The Administration has committed to streamlining Federal regulations affecting grant and contract processes to eliminate undue administrative burdens and help maximize value and efficiency. As changes occur, DOT will face challenges aligning its own internal policies and verifying its staff adopt the streamlined practices to support efficient and cost-effective use of grant and contract funds. This includes determining reasonable pricing; considering competition, including only applicable funding provisions and award terms; and evaluating applicant qualifications and proposed project plans fairly and transparently—areas in which our past work has identified weaknesses across DOT.

- The streamlined regulations also place greater emphasis on using sound business judgement and individualized risk-management in procurement decisions. Therefore, DOT will need to foster an environment that promotes innovation, places decision-making authority at the appropriate level, and breaks patterns of doing things based on how they've been done in the past. Our prior work has identified instances where DOT bypassed competition (and the associated benefits) just to continue using the same contract or contractor, in some cases, despite cost and schedule inefficiencies. DOT's ability to apply streamlined procedures, innovation, and sound business judgement will be critical to achieving efficient and successful outcomes, including procuring a new state-of-the-art ATC system.

Related Investigative Work

OIG's grant and contract fraud investigations safeguard Federal transportation dollars by investigating theft, misuse of funds, Buy America Act violations, embezzlement, false claims, kickbacks, overbilling, and bid rigging. For example:

- A former Pennsylvania city finance director pleaded guilty and was sentenced to 1 year of probation for misusing funds and tampering with public records. Additionally, the city and FTA agreed to repayment of $1,483,707 in Federal grant funds that the former city finance director used on non-transit-related expenses and lacked the appropriate documentation for supporting certain expenses.

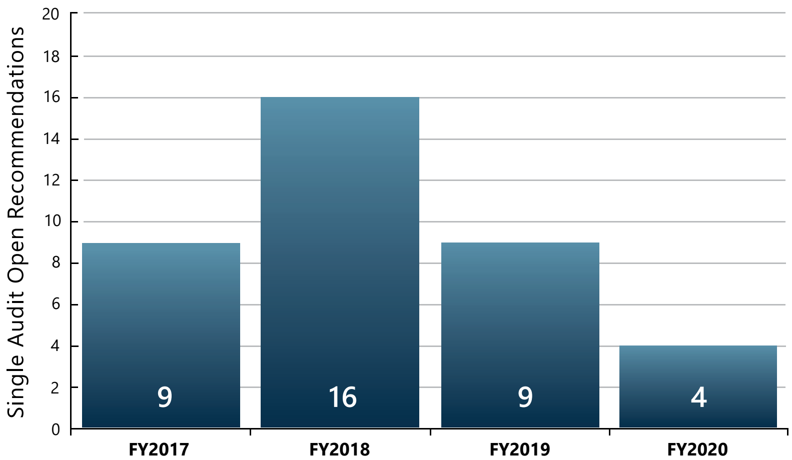
- A former vice-president of a Michigan asphalt paving company was sentenced to 6 months of incarceration, 24 months of probation, and fined $500,000 for bid rigging. The former vice-president conspired with another company and co-conspirators to suppress and eliminate competition for contracts to provide asphalt paving services in Michigan.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Implement Updated Financial Management and Reporting Requirements

- DOT faces challenges ensuring single audit report findings related to DOT-funded programs are resolved timely and determining the allowability of millions of dollars in associated questioned costs (see figure), especially as numerous findings repeat year after year. For fiscal year 2025, the single audit threshold for non-Federal entities receiving Federal awards increased from $750,000 to $1,000,000, which generally exempted more entities from single audits. While the increased threshold allows DOT to focus its oversight on larger entities, per Office of Management and Budget's Uniform Guidance, the Department remains responsible for overseeing all non-Federal entities that receive DOT funds.
- Furthermore, DOT must identify a new single audit accountable official, as required by law, who is responsible for ensuring that the Department complies with the Uniform Guidance. The vacancy of this role may hinder progress the Department has made in complying with single audit oversight requirements.
- Based on preliminary testing, DOT may be challenged to implement processes needed to produce new data, as required, for the Department's fiscal year 2026 financial statement reporting regarding the estimated acreage for general property, plant and equipment land, and stewardship land.

Single Audit Recommendations Made in Fiscal Years 2017–2020 That Remain Open



Source: OIG analysis of DOT data as of August 26, 2025.

Recent Progress Reported by the Department

- On May 19, 2025, DOT submitted a formal proposal in support of the Administration's efforts to consolidate domestic Federal procurements in the General Services Administration (GSA). As of July 2025, DOT identified approximately 14 percent of its contract portfolio as potentially transferable to GSA to streamline operations and enhance procurement efficiency.
- DOT issued Single Audit Guidance to standardize how DOT manages single audits and ensure organizational compliance with the Federal requirements in response to our recommendation. While the guidance was to be effective August 1, 2025, the recommendation remains open pending evidence of implementation.

Related OIG Work

- Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending March 31, 2025
(May 21, 2025)
>> 3 recommendations (2 open, 1 closed)
- DOT Does Not Ensure Compliance With All Single Audit Provisions of OMB's Uniform Guidance
(March 23, 2022)
>> 7 recommendations (5 open, 2 closed)
- FAA's Information Technology and Telecommunications Contracting Practices Limit Best Value Outcomes
(February 26, 2024)
>> 7 recommendations (0 open, 7 closed)

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

Dory Dillard-Christian
Assistant Inspector General for Financial, IT, and Procurement Audits
(202) 366-8543 | Dormayne.Dillard-Christian@oig.dot.gov

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

Inspector General's FY 2026 Top Management Challenges (CONT.)

Information Technology Security

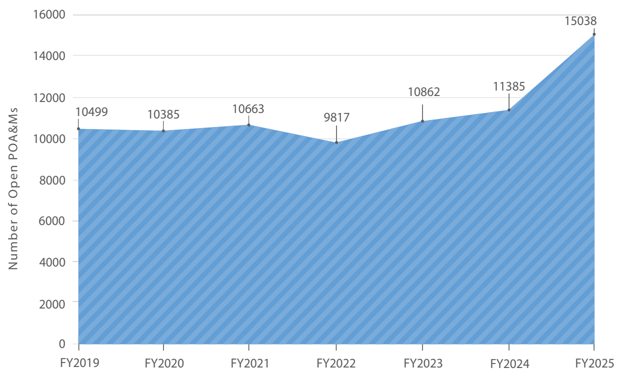
OAs Impacted: Departmentwide

Recurring cybersecurity weaknesses facing DOT are a significant challenge, putting the Department's critical information systems at risk. Critical and high-risk IT security vulnerabilities may allow unauthorized access into mission-critical systems and data. Our audits identified security vulnerabilities in DOT's systems that were repeatedly exploited due to the Department's inadequate security practices. DOT's backlog of unaddressed security weaknesses highlights the importance of strengthening the Department's enforcement of cybersecurity policies and prioritizing remediation of security weaknesses to effectively safeguard information systems.

Address Recurring Cybersecurity Weaknesses To Reduce Risks to DOT's Information Systems

- DOT has challenges preventing cybersecurity weaknesses from recurring despite its progress in 2025 closing 12 of our 57 prior-year audit recommendations regarding compliance with the Federal Information Security Modernization Act (FISMA). Other recommendations unaddressed by DOT significantly impact the Department's ability to improve its Inspector General FISMA Reporting Metrics maturity levels that assess the effectiveness of an agency's information security program and practices.
- DOT's systems continue to have critical and high-risk vulnerabilities related to patch management, configuration management, weak passwords, and unsupported software that may allow unauthorized access into mission-critical systems and data. Consequently, our fiscal year 2025 FISMA audit reported exploitable vulnerabilities that allowed our testers to obtain unauthorized access to administrator accounts and system resources.
- DOT is also challenged in managing its known information security system and application weaknesses. In June 2025, DOT had a cumulative backlog of 15,038 open security weaknesses in its Plans of Action and Milestones (POA&M) (see figure). Our recent FISMA audit report attributed many identified weaknesses to DOT's inconsistent enforcement of its Agencywide information security program, ineffective communication between the Department and the Operating Administrations, and limited progress in the remediation of prior-year audit recommendations.

Number of Open POA&Ms Departmentwide Since Fiscal Year 2019



Source: OIG analysis of DOT POA&M data.

Bolstering Cybersecurity as Artificial Intelligence (AI) Advances

The emergence of new technologies, including the expanded use of AI applications, poses significant cybersecurity challenges for the Department.

In July 2025, the White House issued *Winning the Race: America's AI Action Plan*, which sets forth clear policy goals for near-term execution by the Federal Government. The Action Plan notes that as AI systems advance, their utility as tools of both cyber offense and defense will expand, and that the use of AI in cyber and critical infrastructure exposes those AI systems to adversarial threats. The plan calls for the use of secure-by-design, robust, and resilient AI systems for all use of AI in safety-critical or homeland security applications.

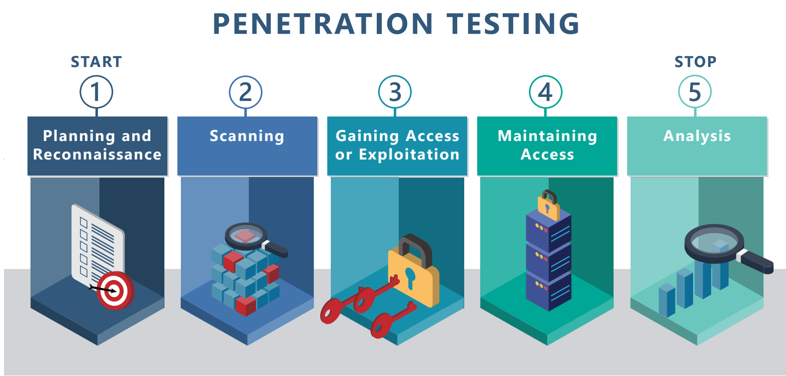
As the use of AI expands across the Federal Government, including at DOT, the Department will have both opportunities and challenges related to harnessing AI while bolstering its critical infrastructure cybersecurity.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Reinforce Cybersecurity Policy Implementation To Safeguard DOT's Information Systems Against Continued Threats

- DOT continues to face significant challenges addressing cybersecurity vulnerabilities that pose a high risk of exploitation. Through a series of planned audits conducted between 2016 and 2025 across the Department's Operating Administrations and IT infrastructure, we identified and exploited numerous weaknesses through penetration testing (see figure).
- Penetration testing during our audit of FHWA's IT Infrastructure revealed several recurring security vulnerabilities from previous audits that we repeatedly exploited due to inadequate security practices. These practices included insufficient protection of user credentials, unpatched servers and workstations, failure to retain audit logs, use of default system credentials, and lack of encryption and network segmentation for sensitive data. We also found widespread misconfigurations in DOT's IT systems and network devices.
- To effectively safeguard its information systems, DOT must strengthen enforcement of existing cybersecurity policies and ensure consistent adherence to the DOT Cybersecurity Compendium and National Institute of Standards and Technology guidelines. This includes following internal procedures such as audit log retention and incident response handling. Failure to implement and enforce these practices increases the risk of data breaches and limits DOT's ability to detect and respond to cyber threats in a timely manner.

The Penetration Testing Process



Source: OIG.

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

Dory Dillard-Christian
Assistant Inspector General for Financial, IT, and Procurement Audits
(202) 366-8543 | Dormayne.Dillard-Christian@oig.dot.gov

Recent Progress Reported by the Department

- DOT made progress in its Continuous Diagnostics and Mitigation program to monitor the Department's security posture and improvements in contingency planning for its information systems. Further, DOT's integrated project team continues to address prior-year recommendations and engage governance stakeholders to improve the monitoring of information system compliance.
- DOT conducted monthly Cybersecurity Information Protection Portfolio reviews with Operating Administrations to evaluate the effectiveness of technical and non-technical system security safeguards.

Related OIG Work

- Quality Control Review of the Independent Auditor's Report on the Assessment of DOT's Information Security Program and Practices (September 30, 2025)
  >> 7 recommendations (7 open, 0 closed)
- DOT Needs To Increase Adherence to Cybersecurity Policies To Protect FHWA's IT Infrastructure From the Risk of Further Compromise (November 25, 2024)
  >> 8 recommendations (8 open, 0 closed)
- DOT Uses Continuous Monitoring Tools To Automate Cybersecurity Monitoring But Needs To More Effectively Detect, Prevent, and Report Cybersecurity Threats (September 30, 2024)
  >> 5 recommendations (5 open, 0 closed)

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

Inspector General's FY 2026 Top Management Challenges (CONT.)

Transportation Innovation

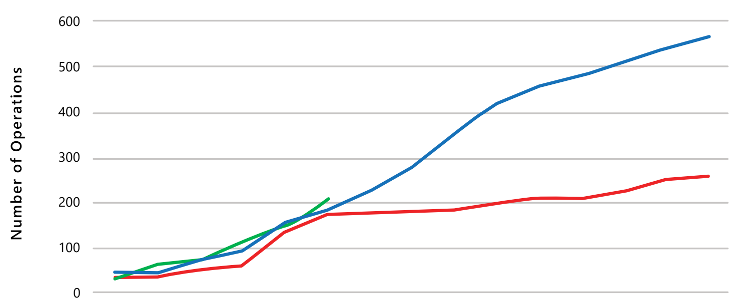
OAs Impacted: FAA and NHTSA

DOT has demonstrated a commitment to prioritizing research and innovation to meet present challenges and modernize the transportation system for the future. Advancing the Department's innovation goals requires addressing challenges across multiple modes of transportation, including safely overseeing the growth of commercial space transportation, enacting a regulatory framework for integrating beyond visual line of site (BVLOS) drone operations into the National Airspace System (NAS), and developing strategies to enable the deployment of vehicle automation and driver assistance technologies.

Ensure the Safety and Operational Efficiency of the Rapidly Growing Commercial Space Transportation Industry

- Commercial space operations continue to grow rapidly (see figure). FAA reported that there were 204 licensed commercial space operations in fiscal year 2025, a nearly 38 percent increase from last fiscal year and over a 500 percent increase in operations since 2020. FAA estimates that the number could increase anywhere from 46 to nearly 152 percent from fiscal years 2026 through 2034. These operations are expected to include activities such as deploying and replacing satellites, space tourism, lunar operations, and Mars exploration missions.
- To meet this anticipated growth, FAA must ensure that it has the resources in place to effectively integrate these operations into the NAS. This includes licensing and overseeing the industry as well as developing technologies and procedures that improve safety and airspace efficiencies for all airspace operators and the public. In addition, while the moratorium limiting new regulations for commercial human space flight has been extended to January 1, 2028, FAA has the challenge of working with government and industry stakeholders regarding the extent to which the Agency should regulate the industry, including further streamlining regulations.

Growth in Commercial Space Launch/Re-Entry Operations: Actual and Projected



	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Actual	33	64	74	113	148	204*									
Forecast - High	46	44	73	94	156	183	225	278	353	419	456	480	510	541	566
Forecast - Low	34	36	52	61	134	174	177	180	184	200	210	209	225	251	259

*As of December 2, 2025.

Source: OIG analysis of FAA data.

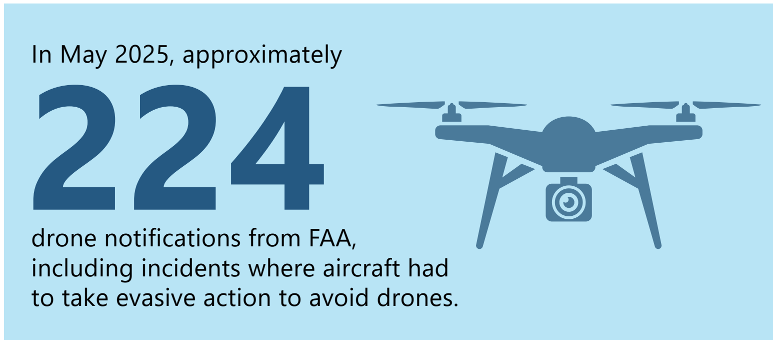
Related Investigative Work

OIG conducts investigations to prevent wrongdoing in emerging transportation sectors that threaten public safety, such as unauthorized operation of a drone over wildfires, shooting a firearm at a law enforcement drone, or using drones to drop illegal drugs and contraband into prisons. For example:

- A California individual was charged for unlawful drone operations that damaged an aircraft fighting the Palisades wildfire in California. The drone collided with a Canadair CL2T Super Scooper firefighting aircraft, leaving a "football-sized" hole in its left wing, grounding it for several days.
- A Florida individual was sentenced to 4 years of incarceration, 3 years of supervised release, and $29,034 in restitution for firing a rifle that struck and destroyed a county sheriff's drone. The individual pleaded guilty to possession of a firearm affecting commerce by a convicted felon.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Drone Activity Reported by FAA

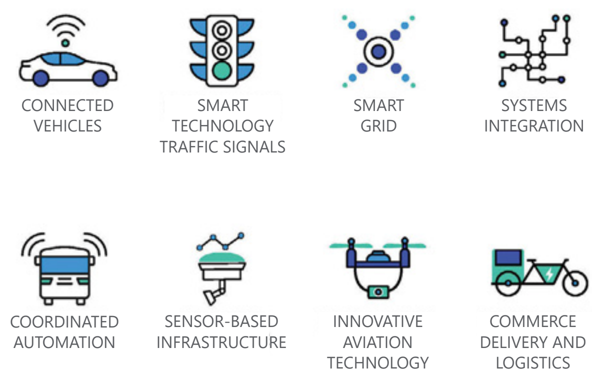


Source: OIG analysis of FAA data.

Advance the Safe Integration of Unmanned Aircraft Systems Into the NAS

- Advancing the use of innovative unmanned aircraft systems (UAS) technology in the United States is both a top priority and challenge for DOT. A key focus area is safely integrating routine and scalable BVLOS drone operations. To that end, both the President and Congress mandated FAA issue a rulemaking that provides a regulatory pathway for BVLOS drones. The Agency also established partnership programs, such as BEYOND and the Integration Partnership Agreement, where governmental and industry partners collaborate to inform current and future rulemaking efforts. In addition, the Agency has extended partnership programs through creating BEYOND Phase 2, for further testing and evaluation of emerging aviation technologies, including increasing automation in civil aircraft.
- However, as we recently reported, while FAA has approved increasingly complex drone operations, most BEYOND program participants did not meet established operational performance metrics. In addition, FAA is not using comprehensive data from across the Agency to inform rulemaking, and FAA's data validation process can lead to errors. Enhanced program targets and data sharing can help FAA in its efforts to lead the way regarding drone operations and reshape the future of aviation.

Automated Driving Systems for the Future



Source: DOT.

Develop Strategies to Enable the Deployment of Vehicle Automation and Driver Assistance Technologies

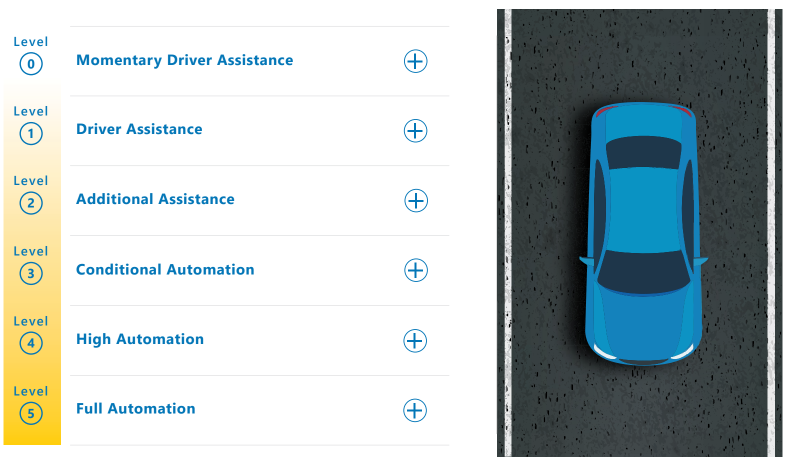
- While NHTSA is responsible for advancing new vehicle technologies with lifesaving potential, DOT faces challenges developing strategies that capitalize on the safety benefits of increased vehicle automation systems, which can reduce the chance of human error-related crashes. For example, these systems' electronic sensors can automatically stop a vehicle or

Inspector General's FY 2026 Top Management Challenges (CONT.)

keep it in a lane. To make more of these systems available to consumers and advance the development of automated vehicles (see figure), the Department announced the Automated Vehicle Framework in 2025. The framework promotes innovation and commercial deployment by expanding the Automated Vehicle Exemption Program to include domestically produced vehicles in addition to imported vehicles.

- The Department also faces challenges in identifying and assessing safety impacts in the evolving landscape of automated driving systems (ADS) and driver assistance technologies. To address these challenges and prioritize safety, the framework continues to rely on DOT's Standing General Order allowing NHTSA to collect data on real-world crashes that are associated with these systems and technologies. The Department can use this data to identify safety concerns about ADS and driver assistance technologies and develop risk models to take action to ensure unsafe vehicles are taken off public roads or any safety defects are remedied, as appropriate.

Levels of Driving Automation



Source: NHTSA.

Recent Progress Reported by the Department

- On August 7, 2025, FAA published its proposed rule establishing performance-based regulations to enable the design and operation of drones at low altitudes BVLOS and for third-party services, including UAS Traffic Management, that support these operations.
- On August 14, 2025, the Secretary commemorated FAA's 1,000th operation of a commercial space vehicle that the agency licensed or permitted.

Related OIG Work

- FAA Has Made Progress in Advancing BVLOS Drone Operations but Can Do More To Achieve Program Goals and Improve Data Analysis (June 30, 2025)
  >> 7 recommendations (7 open, 0 closed)
- FAA Has Deployed a Prototype System for Monitoring Commercial Space Operations but Faces Integration Challenges (June 21, 2023)
  >> 4 recommendations (2 open, 2 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 (0 open, 6 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

Tiffany Mostert
Assistant Inspector General for Surface Transportation Audits
(202) 366-0625 | Tiffany.Mostert@oig.dot.gov

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

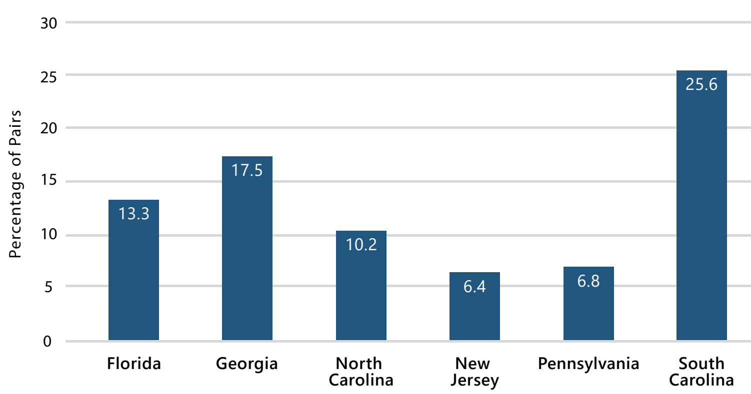
Inspector General's FY 2026 Top Management Challenges (CONT.)

Curbing Waste, Fraud, and Abuse

OAs Impacted: Departmentwide

To protect billions of taxpayer dollars directed to our Nation's transportation system and the safety of the traveling public, it is vital DOT identify and prevent any associated fraud, waste, and abuse. However, the Department faces challenges verifying funds were used as intended by addressing improper payments, questioned costs, and Buy America requirement noncompliance. DOT must also take steps to proactively identify and assess fraud in high-risk areas and focus on holding those who attempt to bribe officials and defraud the Department accountable.

Percentage of Firm-Pairs Potentially Engaged in Anticompetitive Bidding (Econometric Results by State)



Note: Analysis based on pairs of firms that bid together at least 10 times for the 6 randomly selected eastern States in our sample. For more information, see our February 2025 report.

Source: OIG econometric analysis of State DOT data.

Verify Grant and Contract Funds Are Used as Intended

- Given the magnitude of DOT grant and contract fund expenditures, the Department must verify recipients' use of these funds aligns with funding objectives and represents a sound investment of taxpayer dollars by employing informed, pro-active, risk-based monitoring and oversight from pre- to post-award.
- DOT verifies recipients and contractors efficiently expend funds in compliance with applicable laws, regulations, and award terms and conditions. However, our work has shown that DOT is challenged by weaknesses primarily in its grant program oversight such as insufficient guidance, limited oversight reviews, reliance on self-certifications, and inadequate monitoring of inactive funds. These weaknesses expose DOT to risks such as improper payments, questioned costs, and Buy America noncompliance.
- For example, FHWA relies on its funding recipients to self-certify that materials used in Federal-aid funded projects comply with Buy America requirements, without providing sufficient details on how recipients should complete these certifications or the steps Divisions should take to validate them. Further, Agency oversight reviews did not consistently address recipients' compliance with Buy America requirements. As a result, we identified over $750,000 in questioned costs based on material of unknown origin from just three Federal-aid projects.

Applying Systemic Analysis To Proactively Identify and Assess Fraud Risks

A common fraud scheme is bid rigging and collusion, in which contractors misrepresent that they are competing against each other when, in fact, they agree to cooperate on the winning bid to increase job profit. As our work has shown, opportunities exist for the Department and State DOTs overseeing federally funded projects to apply data analysis to identify and assess fraud risks. For example, in a February 2025 report, we demonstrated that systemic analysis—using both machine learning and econometric methods—can screen for the potential presence of anticompetitive bidding in Federal-aid highway projects (see figure).

In response to our recommendation, FHWA recently issued a memorandum recommending that State DOTs conduct frequent, regular, systematic reviews of multiyear data. Such reviews can play an important role in timely identification of anticompetitive bidding patterns and ensure proper stewardship of taxpayer dollars.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Hold Those Who Abuse the System Accountable

- The Department's challenge of curbing fraud, waste, and abuse depends in part on raising awareness of common fraud schemes (see figure) in order to better hold those who abuse the system accountable. For example, OIG investigates numerous cases where bribery plays a central role in enabling fraud. When individuals offer or accept something of value to influence decisions, they often pave the way for schemes that exploit public systems for personal or financial gain.
- In government contracting, a contractor may bribe a Federal official to win a contract, then bill for work not performed. For example, a former senior executive of a contractor conspired to bribe an Amtrak employee with over $323,000 in cash and gifts to secure favorable contract changes on the 30th Street Station project in Philadelphia. The scheme led to Amtrak being overbilled by more than $2 million. The former executive was sentenced to nearly 5 years in prison, $2,062,374 in restitution, $391,851 in forfeiture, and a $50,000 fine.
- Bribery schemes also appear in licensing and certification, where gatekeepers to programs accept bribes in exchange for passing scores, thereby endangering the public by allowing unqualified persons to operate transportation vehicles. For example, a former Massachusetts State Police sergeant was convicted on multiple counts for giving false passing scores to at least three dozen commercial driver's license applicants—some of whom failed or never took the test. In return, he accepted bribes, including a driveway worth over $10,000, a snowblower valued at nearly $2,000, and other goods.

Increase Awareness of Common Fraud Schemes

COMMON FRAUD SCHEMES

- Bid Rigging & Collusion
- Bribery
- Conflict of Interest
- Household Goods Moving Fraud
- Kickbacks
- Materials Overcharging
- Product Substitutions
- Time Overcharging

Bribery and fraud undermine the integrity of public institutions and put lives at risk. Recognizing the signs and reporting suspicious activity is essential. Scan the QR code to learn more about fraud indicators, report misconduct, and access helpful resources.

Source: OIG, Common Fraud Schemes.

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

Dory Dillard-Christian
Assistant Inspector General for Financial, IT, and Procurement Audits
(202) 366-8543 | Dormayne.Dillard-Christian@oig.dot.gov

Justin Bidwell
Deputy Assistant Inspector General for Investigations
(202) 366-0384 | Justin.Bidwell@oig.dot.gov

Recent Progress Reported by the Department

- In a June 2023 report, OIG recommended that DOT expand its fraud risk assessment process for IIJA-funded surface transportation programs. In response, in November 2024, the Department issued DOT Order 2300.2, a significantly strengthened Fraud Risk Management Policy.
- The order aims to establish and communicate DOT's approach to fraud risk management including identifying, evaluating, preventing, detecting, monitoring, and reporting fraud risk. The policy is designed to promote active mitigation of fraud risk by requiring Operating Administrations to maintain fraud risk profiles and conduct periodic fraud risk assessments.

Related OIG Work

- FHWA Can Strengthen Oversight and Provide Additional Guidance To Improve Federal-aid Recipients' Buy America Compliance (July 28, 2025)

  >> 6 recommendations (6 open, 0 closed)
- A More Systematic Approach Is Needed To Identify Potential Anticompetitive Bidding on Federal-Aid Highway Projects (February 12, 2025)

  >> 1 recommendation (0 open, 1 closed)
- DOT Should Enhance Its Fraud Risk Assessment Processes for IIJA-Funded Surface Transportation Programs (June 20, 2023)

  >> 2 recommendations (1 open, 1 closed)

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

Inspector General's FY 2026 Top Management Challenges (CONT.)

Exhibit A. List of Last Year's Top Management Challenges

FY 2025 Top Management Challenges	Key Challenges
Aviation Safety	• Strengthen FAA's Ability To Identify and Resolve Boeing Production Issues • Improve Data Analysis and Implement Initiatives To Identify Root Causes, Prevent Aviation Close Calls, and Sustain the Aviation Safety Track Records
Surface Transportation Safety	• Partner With Recipients and the Private Sector To Improve the Safety of Drivers, Passengers, and Workers • Enhance Verification and Enforcement of Safety Compliance
Aviation Governance and Modernization	• Refine Air Traffic Controller Staffing, Placement, and Training Practices To Meet Facility Needs and Maintain Safety in an Evolving Operational Environment • Keep the Deployment of NextGen Systems and Capabilities on Track While FAA Terminates the Office of NextGen • Improve Processes for Collecting and Analyzing Flight Delay and Cancellation Data and Consumer Complaint Data To Oversee Airlines and Protect Consumers
Surface Transportation Infrastructure	• Evaluate the Progress of Surface Transportation Programs • Continue To Strengthen Oversight of Federal Transportation Investments • Provide Support in a Dynamic Surface Transportation Sector
Grant and Contract Fund Stewardship	• Make Sound, Transparent Grant and Contract Award Decisions • Confirm Grant and Contract Funds Are Used as Intended
Financial Management	• Improve Stewardship of Agency-Owned or Federally Funded Property • Improve Compliance With Federal Requirements for Monitoring and Reporting on Grantee Spending • Improve Compliance With Federal Requirements for Managing and Expending Federal Funds
Information Security	• Address Longstanding Weaknesses To Protect DOT's Critical Information Systems • Execute Key Cybersecurity Initiatives To Strengthen DOT's Effectiveness Addressing Transportation-Sector Cybersecurity Matters
Transportation Transformation	• Integrate New Technologies Into the NAS • Facilitate Innovation by Supporting Stakeholders in Their Safe Adoption of New Technologies
Organizational Excellence	• Hire, Train, and Retain the Workforce Necessary To Meet Department Goals • Manage Workforce and Property Assets and Facilities in an Evolving Environment • Address Longstanding Organizational Issues

Note: Prior OIG reports are available on our website at http://www.oig.dot.gov/.

Inspector General's FY 2026 Top Management Challenges (CONT.)

Memorandum

U.S. Department of Transportation

Office of the Secretary of Transportation

Date: November 6, 2025

Subject: INFORMATION**:** Management Response to the Office of Inspector General (OIG) Draft Report: DOT's Fiscal Year 2026 Top Management Challenges

From: Devin Ure DEVIN LEE URE 2025.11.06 14:06:58 -05'00'
Acting Deputy Assistant Secretary for Budget and Programs

To: Mitch Behm
Acting Inspector General

The OIG's Fiscal Year 2026 Top Management Challenges report highlights many of the priorities and risks outlined by the Secretary of Transportation. Safety remains the Department of Transportation's primary focus and core mission. To improve safety across all transportation modes, we are continually adopting a systematic approach that promotes performance-based standards, enhances data quality and analysis to support evidence-based policies, and incorporates close coordination with stakeholders to identify vulnerabilities.

While the safety of our Nation's transportation systems remains the top priority at DOT, we also take cybersecurity seriously. DOT's internal IT systems are constantly monitored and regularly reviewed to improve operating efficiency, streamline internal processes, and enhance security to meet the ever-changing threats in the environment. Transformation is also a key priority. America is building again, and DOT is making unprecedented investments to build and modernize transportation infrastructure, including with the use of new technologies that can boost safety and efficiency. This focus on modernizing the Nation's infrastructure to be state of the art will mitigate risks to safety, mobility, goods flow, and commerce without sudden disruptions.

Together, these priorities will ensure that the Department remains responsive and accountable to the American taxpayer. DOT must ensure that every dollar allocated to airports, roads, transit, rail, ports, and all modes of transportation delivers maximum benefits for taxpayers. We are committed to deregulatory initiatives to rein in overly prescriptive and unduly burdensome Federal regulations that impose unnecessary costs on Americans while ensuring our transportation system remains the safest and most efficient in the world. DOT is dedicated to managing and overseeing contracts and grants efficiently to enhance program performance and prevent fraud, waste, and abuse.

Inspector General's FY 2026 Top Management Challenges (CONT.)

We welcome the opportunity for the Office of Inspector General to partner in these efforts. The Department and its Operating Administrations will work with OIG to identify and root out fraud, waste, abuse, or mismanagement in the Department's programs, activities, or operations. We appreciate the opportunity to respond to the OIG draft report. Please contact Gary Middleton, Director, Office of Audit Relations and Program Improvement, at Gary.Middleton@dot.gov, with any questions or concerns.

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; Public Law (P.L.) 116-117) and the Office of Management and Budget (OMB) Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*. DOT reports the results of its FY 2025 IP reviews on OMB's website.

PIIA defines a program or activity as susceptible to significant IP 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 IPs and subject to FY 2025 PIIA reporting requirements.

- FHWA's Highway Planning and Construction (HPC) program supports State and local governments in the design, construction, and maintenance of the Nation's highway system. Additionally, the program includes emergency and pandemic relief supplemental funds for the repair or reconstruction of highways and roads.
- FTA's TIG – Coronavirus Disease 2019 (COVID-19) Relief Funds includes funding provided by the Coronavirus Aid, Relief, and Economic Security Act (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 COVID-19 pandemic.

The FY 2025 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid.

FY 2025 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)	$61,788.59	$59,400.60	96.14%	$2,387.99	3.86%
FTA TIG–COVID Relief Funds(1)	$5,279.30	$5,270.94	99.84%	$8.36	0.16%

(1) *For FY 2025 testing, the program or activity reviewed payments made from October 1, 2023, to September 30, 2024.*

The root causes of FHWA IP include: ineligible cost; incorrect federal share calculation; contractual non-compliance; administrative error; and insufficient documentation. Examples of FHWA IPs were inadmissible change orders initiated by a grant recipient related to procurement errors involving utility coordination requirements and inadequate documentation maintained by a grant recipient to comply with requirements of the Buy American Act.

Supplemental COVID relief funding provided FTA's existing programs with new eligibilities, including transit operating funding in areas formerly only permitted for capital expenses. FTA IPs are all overpayments outside of agency control due to failure to access data/information from Transit Authorities. In total, there are 7 identified FTA IP grouped into 3 root causes. Grantee was reimbursed for a cost that was not supported by payroll documentation. Grantee was reimbursed for a cost that was not supported by contract documentation, and the unit price exceeded the contract amount. Grantee was reimbursed for a cost incurred for health insurance premium; however, the grantee did not provide the proof of payment for the benefits or the correct rate information or invoice from the insurance provider.

PAYMENT INTEGRITY INFORMATION ACT REPORTING (CONT.)

The FY 2025 Payment Accuracy Root Cause table below provides an estimate of improper payments by statutory category.

FY 2025 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	$2,022.67	$277.08	$88.24	$-	$2,387.99
FTA TIG–COVID Relief Funds	$8.36	$-	$-	$-	$8.36

The FY 2025 Payment Accuracy Root Cause table above provides an estimate of improper payments by statutory category.

FHWA and FTA will work with grant recipients to improve project documentation, contractual adherence, adherence of Federal regulation requirements, invoice verification, payment processes, and address training deficiencies as applicable for each improper payment. If applicable, FHWA and FTA will recover overpayments from the grant recipient. Underpayments will be evaluated with the grant recipient for appropriate compensation.

OMB designates programs with an estimated monetary loss over $100 million as High-Priority programs. Based on that threshold, FHWA HPC will be considered High-Priority programs subject to quarterly reporting in FY 2026 to demonstrate the progress made improving payment integrity.

Spending from FTA COVID Relief funding peaked in FY 2022 and outlays have decreased in subsequent fiscal years. As these funds are exhausted, the risk of improper payments is reduced commensurate with the level of remaining funding. DOT expects FY 2025 will be the last year of reporting an improper payment estimate of FTA COVID Relief funds since the results were below PIIA statutory thresholds.

In addition to monitoring program spending and estimating IPs for two programs, DOT performed four improper payment risk assessments, conducted a payment recovery audit, monitored the progress of corrective actions, 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. Additional data and dashboard visualizations on DOT’s FY 2025 IPs reviews are located on OMB’s website.

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 DOT may impose, the authority for imposing the penalty, the year the penalty was enacted or adjusted by U.S. Congress (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. Information about the latest inflation adjustments to the Civil Monetary Penalties within our jurisdiction can be found at the Federal Register website and Federal Register for Civil Monetary Penalty Adjustments for Inflation for DOT.

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
33 United States Code (U.S.C.) 1232	Maximum civil penalty for each violation of the Seaway Rules and Regulations at 33 Code of Federal Regulations (CFR) part 401	1978	2025	$117,608	Great Lakes Saint Lawrence Seaway Development Corporation (GLS)
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes	2003	2025	$75,000	Office of the Secretary of Transportation (OST)
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	2025	$1,875	OST
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	2025	$17,062	OST
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	2025	$8,531	OST
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	2025	$4,267	OST
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2025	$1,114	Federal Railroad Administration (FRA)
49 U.S.C. Ch. 213	Ordinary maximum rail safety penalty	2008	2025	$36,439	FRA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2025	$145,754	FRA
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2025	$617	FRA
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2025	$102,348	FRA
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2025	$238,809	FRA
49 U.S.C. 525	Appendix A II Subpoena	2012	2025	$1,365	Federal Motor Carrier Safety Administration (FMCSA)
49 U.S.C. 525	Appendix A II Subpoena	2012	2025	$13,676	FMCSA
49 U.S.C. 521(b)(7)	Appendix A IV (a) Out-of-service order (operation of commercial motor vehicle (CMV) by driver)	1990	2025	$2,364	FMCSA
49 U.S.C. 521(b)(7)	Appendix A IV (b) Out-of-service order (requiring or permitting operation of CMV by driver)	1990	2025	$23,647	FMCSA
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	2025	$2,364	FMCSA
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	2025	$23,647	FMCSA
49 U.S.C. 521(b)(2)(B)	Appendix A IV (e) Out-of-service order (failure to return written certification of correction)	1990	2025	$1,182	FMCSA
49 U.S.C. 521(b)(2)(F)	Appendix A IV (g) Out-of-service order (failure to cease operations as ordered)	2012	2025	$34,116	FMCSA
49 U.S.C. 521(b)(7)	Appendix A IV (h) Out-of-service order (operating in violation of order)	1984	2025	$29,980	FMCSA
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	2025	$19,246	FMCSA
49 U.S.C. 521(b)(7)	Appendix A IV (j) (conducting operations during suspension or revocation)	1984	2025	$29,980	FMCSA
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2025	$1,584	FMCSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2025	$15,846	FMCSA
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2025	$15,846	FMCSA
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2025	$19,246	FMCSA
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2025	$4,812	FMCSA
49 U.S.C. 31310 (i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (first conviction)	2005	2025	$3,961	FMCSA
49 U.S.C. 31310 (i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (second or subsequent conviction)	2005	2025	$7,924	FMCSA
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2025	$7,155	FMCSA
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	2025	$3,961	FMCSA
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	2025	$7,924	FMCSA
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	2025	$7,155	FMCSA
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	2025	$39,615	FMCSA
49 U.S.C. 31310 (j)(2)(B)	Appendix B (b)(3) Special penalties pertaining to railroad-highway grade crossing violations	1995	2025	$20,537	FMCSA
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2025	$21,114	FMCSA
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	2025	$102,348	FMCSA
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	2025	$617	FMCSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
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	2025	$102,348	FMCSA
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	2025	$102,348	FMCSA
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	2025	$102,348	FMCSA
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	2025	$238,809	FMCSA
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	2025	$34,116	FMCSA
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	2025	$102,348	FMCSA
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	2025	$238,809	FMCSA
49 U.S.C. 14901(a)	Appendix B (g)(1): Violations of the commercial regulations (CRs) (property carriers)	2012	2025	$13,676	FMCSA
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2025	$13,676	FMCSA
49 U.S.C. 14901(a)	Appendix B (g)(3) Violations of the CRs (passenger carriers)	2012	2025	$34,116	FMCSA
49 U.S.C. 14901(a)	Appendix B (g)(4) Violations of the CRs (foreign motor carriers, foreign motor private carriers)	2012	2025	$13,676	FMCSA
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	1999	2025	$18,766	FMCSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
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	2025	$46,918	FMCSA
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	2025	$27,293	FMCSA
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	2025	$54,585	FMCSA
49 U.S.C. 14901(d)(1)	Appendix B (g)(7): Violations of the CRs (household goods (HHG) carrier or freight forwarder, or their receiver or trustee)	1995	2025	$2,052	FMCSA
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	2025	$4,109	FMCSA
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	2025	$10,269	FMCSA
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2025	$205,375	FMCSA
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)— first violation	1995	2025	$410	FMCSA
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)— subsequent violations	1995	2025	$513	FMCSA
49 U.S.C. 14904(b)(1)	Appendix B (g)(12): Tariff violations (freight forwarders)— maximum penalty for first violation	1995	2025	$1,028	FMCSA
49 U.S.C. 14904(b)(1)	Appendix B (g)(12): Tariff violations (freight forwarders)— maximum penalty for subsequent violations	1995	2025	$4,109	FMCSA
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	2025	$1,028	FMCSA
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	2025	$4,109	FMCSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
49 U.S.C. 14905	Appendix B (g)(14): Violations related to loading and unloading motor vehicles	1995	2025	$20,537	FMCSA
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	2025	$1,365	FMCSA
49 U.S.C. 14907	Appendix B (g)(16): Reporting and recordkeeping under 49 U.S.C. subtitle IV, part B—maximum penalty	1995	2025	$10,269	FMCSA
49 U.S.C. 14908	Appendix B (g)(17): Unauthorized disclosure of information	1995	2025	$4,109	FMCSA
49 U.S.C. 14910	Appendix B (g)(18): Violation of 49 U.S.C. subtitle IV, part B, or condition of registration	1995	2025	$1,028	FMCSA
49 U.S.C. 14915	Appendix B (g)(21)(i): Knowingly and willfully fails to deliver or unload Household Goods (HHG) at destination	1995	2025	$20,537	FMCSA
49 U.S.C. 14901(d)(2)	Appendix B (g)(22): HHG broker estimate before entering into an agreement with a motor carrier	2005	2025	$15,846	FMCSA
49 U.S.C. 14901 (d)(3)	Appendix B (g)(23): HHG transportation or broker services— registration requirement	2005	2025	$39,615	FMCSA
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	2025	$1,584	FMCSA
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	2025	$15,846	FMCSA
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), or 31502—minimum penalty for first violation	2012	2025	$2,730	FMCSA
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), or 31502—maximum penalty for first violation	2012	2025	$6,823	FMCSA
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of ch. 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), or 31502—minimum penalty for subsequent violation(s)	2012	2025	$3,409	FMCSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of ch 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), or 31502—maximum penalty for subsequent violation(s)	2012	2025	$10,224	FMCSA
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	2025	$2,730	FMCSA
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	2025	$6,823	FMCSA
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2025	$272,926	Pipeline and Hazardous Materials Safety Administration (PHMSA)
49 U.S.C. 60122(a)(1)	Maximum penalty for a related series of pipeline safety violations	2012	2025	$2,729,245	PHMSA
49 U.S.C. 60122(a)(2)	Maximum additional penalty for each liquefied natural gas pipeline facility violation	1996	2025	$99,704	PHMSA
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2025	$1,584	PHMSA
49 U.S.C. 5123	Maximum penalty for hazardous materials violation	2012	2025	$102,348	PHMSA
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	2025	$238,809	PHMSA
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2025	$617	PHMSA
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	2025	$27,874	National Highway Traffic Safety Administration (NHTSA)
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	2025	$139,356,994	NHTSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
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	2025	$15,846	NHTSA
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	2025	$23,769,723	NHTSA
49 U.S.C. 30165(a)(4)	Maximum penalty per violation for filing false or misleading reports	2012	2025	$6,823	NHTSA
49 U.S.C. 30165(a)(4)	Maximum penalty amount for a series of violations related to filing false or misleading reports	2012	2025	$1,364,624	NHTSA
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	2025	$2,224	NHTSA
49 U.S.C. 32507(a)	Maximum penalty amount for each violation of a bumper standard under 49 U.S.C. 32506	1972	2025	$3,650	NHTSA
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	2025	$4,064,690	NHTSA
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	2025	$3,650	NHTSA
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	2025	$1,990,815	NHTSA
49 U.S.C. 32308(c)	Maximum penalty for each violation related to the tire fuel efficiency information program	2007	2025	$75,541	NHTSA
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	2025	$2,224	NHTSA
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2025	$13,676	NHTSA
49 U.S.C. 32709	Maximum penalty amount for a related series of violations related to odometer tampering and disclosure	2012	2025	$1,364,624	NHTSA
49 U.S.C. 32710	Maximum penalty amount per violation related to odometer tampering and disclosure with intent to defraud	2012	2025	$13,676	NHTSA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
49 U.S.C. 33115(a)	Maximum penalty amount for each violation of 49 U.S.C. 33114(a)(1)–(4)	1984	2025	$2,998	NHTSA
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	2025	$749,432	NHTSA
49 U.S.C. 33115(b)	Maximum civil penalty for violations of 49 U.S.C. 33114(a)(5)	1992	2025	$222,609	NHTSA
49 U.S.C. 32902	Maximum civil penalty for a violation under the medium- and heavy-duty vehicle fuel efficiency program	1975	2025	$51,668	NHTSA
49 U.S.C 32912(a)	Maximum civil penalty for violations under 49 U.S.C. 32911(a) related to automobile fuel economy	1975	2025	$52,468	NHTSA
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	2025	$17	NHTSA
49 U.S.C. 32912 (c)(1)(B)	Maximum civil penalty factor that may be prescribed for fuel economy standards under 49 U.S.C. 32912(c)(1)(A)	2022	2025	$33	NHTSA
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	2025	$26,212	Maritime Administration (MARAD)
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	2025	$65,653	MARAD
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	2025	$26,380	MARAD
46 U.S.C. 50113(b)	Maximum civil penalty for failure to file an Automated Mutual Assistance Vessel Rescue System (AMVER) report	1956	2025	$166	MARAD
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	2025	$33,181	MARAD
46 U.S.C. 12151	Maximum civil penalty for violations in applying for or renewing a vessel’s fishery endorsement	1998	2025	$192,476	MARAD
49 U.S.C. 44802 note	Operation of an unmanned aircraft or unmanned aircraft system equipped or armed with a dangerous weapon	2018	2025	$31,207	Federal Aviation Administration (FAA)

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
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	2025	$32,646	FAA
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	2025	$75,000	FAA
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	2025	$1,875	FAA
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	2025	$1,875	FAA
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	2025	$17,062	FAA
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	2025	$17,062	FAA
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	2025	$17,062	FAA
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	2025	$17,062	FAA
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	2025	$17,062	FAA
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2025	$5,478	FAA
49 U.S.C. 46302	Knowingly providing false information about alleged violation involving the special aircraft jurisdiction of the United States	1984	2025	$29,748	FAA
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	2025	$44,792	FAA

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2025	$17,062	FAA
49 U.S.C. 46301(a)(8)	Violation of 49 U.S.C. 41707(a)(22), including any grant assurances made under that section	2025	2025	$5,000	FAA
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	2025	$26,116	FAA
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	2025	$299,772	FAA
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	2012	2025	$102,348	FAA
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	2025	$238,809	FAA
49 U.S.C. 5123(a)(3)	Minimum penalty for violation of hazardous materials transportation law relating to training	2012	2025	$617	FAA
49 U.S.C. 5123(a)(3)	Maximum penalty for violation of hazardous materials transportation law relating to training	2012	2025	$102,348	FAA
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	2025	$1,212,278	FAA
49 U.S.C. 44704 (e)(4)(A)	Knowing failure by an applicant for or holder of a type certificate to submit safety critical information or include certain such information in an airplane flight manual or flight crew operating manual contrary to 49 U.S.C. 44704(e)(1)-(3)	2020	2025	$1,212,278	FAA

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, 2025. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2025.

FEDERAL GRANT AND COOPERATIVE AGREEMENT AWARDS WITHOUT CLOSEOUT BY AGE OF EXPIRATION

CATEGORY	2-3 YEARS - FY 2023-2022	4-5 YEARS - FY 2021-2020	>5 YEARS - BEFORE FY 2020
Number of Grants/Cooperative Agreements with Zero Dollar Balances	2,259	1,225	1,079
Number of Grants/Cooperative Agreements with Undisbursed Balances	1,662	882	1,292
Total Dollar Amount of Undisbursed Balances	**$ 194,489**	**$ 175,626**	**$ 325,981**

DOT has made significant progress in closing out grant awards in FY 2025. DOT closed out 1,205 grants and cooperative agreements totaling $244.8 million in FY 2025. 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. DOT conducted extensive training for key grants management personnel on how to troubleshoot and fix errors, in order to process more closeouts efficiently, which resulted in a higher percentage of closeouts than prior year levels.

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 some cases, there is minimal incentive for the States to close out awards timely.

DOT will continue to monitor grants to ensure that recipients are providing closeout documentation in a timely manner. DOT will conduct targeted assessments to identify process inefficiencies, and strengthen coordination with program offices to ensure timely and efficient closeouts. DOT will also continue to update processes and guidance as necessary to include grants management system enhancements; 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.

Audit Resolution Report (Unaudited)

OFFICE OF INSPECTOR GENERAL (OIG)

On October 1, 2024, DOT had a beginning balance of **465** audit recommendations. During FY 2025, the OIG issued a total of **191** audit recommendations—**3** in funds put to better use, **13** in questioned cost, and **175** (non-financial) procedural recommendations. In FY 2025, DOT closed **171** recommendations, which left **485** recommendations open at the end of the fiscal year. Of the number closed, **157** were procedural or non-monetary; **8** were funds put to better use; **6** were questioned or unsupported costs, which represented **$86,556,789**; however, only **$31,552,758** in disallowed costs were recoverable, which DOT recovered. As of September 30, 2025, DOT has **2** recommendations over six months old without a management decision.

The tables below show that during FY 2025 DOT made management decisions to act on **16** audit recommendations with management efficiencies and planned recoveries that total nearly **$1.6 billion**. In addition, DOT completed final actions for **14** monetary audit recommendations that represented over **$1.5 billion** in cost savings.

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

On October 1, 2024, DOT had a beginning balance of **195** open audit recommendations. During FY 2025, DOT closed **42** recommendations and GAO issued a total of **28** new recommendations. As of September 30, 2025, GAO has **71** audits underway departmentwide.

MANAGEMENT ACTION ON RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

ACTION TYPE	RECOMMENDATIONS	DOLLAR VALUE
Management Decision—Beginning Balance on October 1, 2024	15	$ 974,087,306
Management Decision—During the Fiscal Year	3	$ 1,190,626,722
Total Management Decisions Made	**18**	**$ 2,164,714,028**
Final Action—Recommendations Implemented	8	$ 1,445,319,589
Final Action—Recommendations Not Implemented	10	$ 719,394,439
Ending Balance on September 30, 2025	**10**	**$ 719,394,439**

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS

ACTION TYPE	RECOMMENDATIONS	DOLLAR VALUE
Management Decision—Beginning Balance on October 1, 2024	44	$ 271,820,927
Management Decision—During the Fiscal Year	13	$ 374,948,162
Total Management Decisions Made	**57**	**$ 646,769,089**
Final Action—Collections/Offset	2	$ 31,552,758
Final Action—*(Allowable)*[1]	4	$ 55,004,031
Total Final Actions	6	$ 86,556,789
Ending Balance on September 30, 2025	**1**	**$ 560,212,300**

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

Acronym	Definition
AATF	Airport and Airway Trust Fund
ADS	Automated Driving Systems
AEC	Atomic Energy Commission
AFR	Agency Financial Report
AGA	Association of Government Accountants
AI	Artificial Intelligence
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
ALN	Assistance Listing Number
AMVER	Automated Mutual Assistance Vessel Rescue System
APR	Annual Performance Report
ARPA	American Rescue Plan Act of 2021
ARTCC	Air Route Traffic Control Center
ATC	Air Traffic Control
AT-CTI	Air Traffic-Collegiate Training Initiative
ATCT	Airport Traffic Control Towers
AV	Automated Vehicle
AVEP	Automated Vehicle Exemption Program
BNATCS	Brand New Air Traffic Control System
BUILD	Better Utilizing Investments to Leverage Development
BVLOS	Beyond Visual Line of Sight
CAFE	Corporate Average Fuel Economy
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDL	Commercial Driver’s License
CEAR	Certificate of Excellence in Accountability Reporting
CERCLA or Superfund	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CFTC	Commodity Futures Trading Commission
CIG	Capital Investment Grant
CIO	Chief Information Officer
CIP	Construction-in-progress
CISA	Cybersecurity and Infrastructure Security Agency
CMMS	Computerized Maintenance Management System
CMO	Certificate Management Office
CMV	Commercial Motor Vehicle

Acronym	Definition
Congress	United States Congress or U.S. Congress
COVID-19	Coronavirus Disease 2019
CR	Continuing Resolution or Commercial Regulation
CRO	Cumulative Results of Operations
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act of 2021
CSRS	Civil Service Retirement System
CSF	Cybersecurity Framework
CY	Calendar Year
DATA Act	Digital Accountability and Transparency Act of 2014
DBE	Disadvantaged Business Enterprise
DCA	Ronald Reagan Washington National Airport
DHS	Department of Homeland Security
DM&R	Deferred Maintenance and Repairs
DOCR	Department of Civil Rights
DoD	Department of Defense
DOL	Department of Labor
DOT	Department of Transportation
EDR	Endpoint Detection and Response
EO	Executive Order
ERM	Enterprise Risk Management
ESC	Enterprise Services Center
ETS-Next	E-Gov Travel Service Next Generation
EV	Electrical Vehicle
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST	Fixing America's Surface Transportation Act of 2015
FBwT	Fund Balance with Treasury
FCEE	Federal Civilian Enterprise Essential
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees Compensation Act
FedRAMP	Federal Risk and Authorization Management Program
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FEMA	Federal Emergency Management Agency
FERS	Federal Employee Retirement System
FFB	Federal Financing Bank
FFGA	Full Funding Grant Agreement

Acronym	Definition
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
FMRE	Facilities Maintenance, Repair, and Equipment
FR	Financial Report of the U.S. Government
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
G-Invoicing	Government Invoicing
GLS	Great Lakes Saint Lawrence Seaway Development Corporation
GMRA	Government Management Reform Act of 1994
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance and Results Act Modernization Act of 2010
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
HHG	Household Goods
HMR	Hazardous Materials Regulation
HPC	Highway Planning and Construction
HTF	Highway Trust Fund
HVA	High-Value Assets
IGT	Intragovernmental Transaction
IIJA	Infrastructure Investment and Jobs Act
IP	Improper Payment
IRS	Internal Revenue Service
IMLS	Institute of Museum and Library Sciences
IT	Information Technology
MARAD	Maritime Administration
MBRC	Minority Business Resource Center
MFA	Multifactor Authentication
MMAC	Mike Monroney Aeronautical Center
MWAA	Metropolitan Washington Airports Authority
NAS	National Airspace System

Acronym	Definition
NCD	National Council on Disability
NCUA	National Credit Union Administration
NDRF	National Defense Reserve Fleet
NEA	National Endowment for the Arts
NEPA	National Environmental Policy Act
NextGen	Next Generation Air Transportation System
NHS	National Highway System
NHTSA	National Highway Traffic Safety Administration
NIST	National Institute of Standards and Technology
NSMV	National Security Multi-Mission Vessel
NRC	Nuclear Regulatory Commission
NYCT	New York City Transit Authority
OA	Operating Administration
OBBBA	One Big Beautiful Bill Act
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
OST	Office of the Secretary
OTA	Office of Tax Analysis
PAR	Performance and Accountability Report
PCB	Polychlorinated Biphenyls
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIDP	Port Infrastructure Development Program
PIIA	Payment Integrity Information Act of 2019
P.L.	Public Law
PMO	Project Management Office
POA&M	Plans of Action and Milestones
PP&E	Property, Plant and Equipment
PVMT	Passenger Vehicle Miles Traveled
RCRA	Resource Conservation and Recovery Act of 1976
R&D	Research and Development
RPA	Robotic Process Automation
RRF	Ready Reserve Force
RRIF	Railroad Rehabilitation and Improvement Financing
RSI	Required Supplementary Information

Acronym	Definition
SAFSTOR	NRC Method of Preparing Nuclear Facilities for Storage and Decontamination
SASE	Secure Access Service Edge
SBR	Statement of Budgetary Resources
SEC	Securities and Exchange Commission
Secretary	Secretary of Transportation
SFFAS	Statement of Federal Financial Accounting Standards
SMS	Safety Management Systems
SOC	Service Organization Control
SSAE 18	Statement on Standards for Attestation Engagements 18
SSOA	State Safety Oversight Agency
STIP	Statewide Transportation Improvement Program
TAM	Transit Asset Management
"The 2015 Act"	Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
TFDM	Terminal Flight Data Manager
TIFIA	Transportation Infrastructure Finance and Innovation Act
TIG	Transit Infrastructure Grants
TRACON	Terminal Radar Approach Control Facility
TTC	Transportation Technology Center
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
WCF	Working Capital Fund
WJHTC	William J. Hughes Technical Center
WUS	Washington Union Station
ZT	Zero Trust

Photo Credits

Image Location: Front Cover

Photo Credit: *Getty Images*

Image Location: Front Cover

Photo Credit: *Getty Images*

Image Location: Front Cover

Photo Credit: *Getty Images*

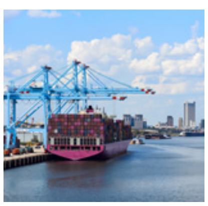


Image Location: Front Cover

Photo Credit: *Getty Images*

Image Location: Table of Contents

Photo Credit: *Getty Images*

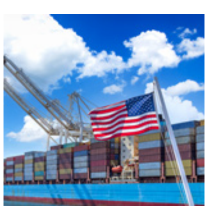


Image Location: Table of Contents

Photo Credit: *Getty Images*

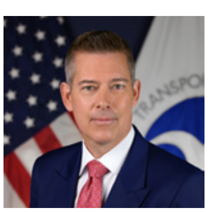


Image Location: Page 6

Photo Credit: *DOT*

Image Location: Page 8

Photo Credit: *Getty Images*

Image Location: Page 10

Photo Credit: *DOT*

Image Location: Page 16

Photo Credit: DOT

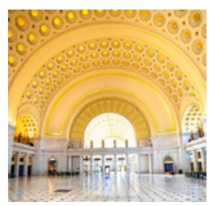


Image Location: Page 20

Photo Credit: *Getty Images*

Image Location: Page 23

Photo Credit: *Getty Images*

Image Location: Page 25

Photo Credit: *DOT*

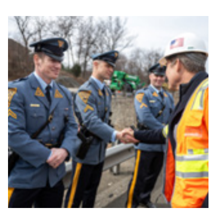


Image Location: Page 27

Photo Credit: *DOT*

Image Location: Page 30

Photo Credit: *Getty Images*

Image Location: Page 31

Photo Credit: *Getty Images*

Image Location: Page 32

Photo Credit: *DOT*

Image Location: Page 46

Photo Credit: *DOT*

Image Location: Page 51

Photo Credit: *Getty Images*

Image Location: Page 102

Photo Credit: *Getty Images*

Image Location: Page 105

Photo Credit: *DOT*

Image Location: Page 153

Photo Credit: *Getty Images*

Image Location: Back Cover

Photo Credit: *DOT*

References

1 OMB M-24-04, Fiscal Year 2024 Guidance on Federal Information Security and Privacy Management Requirements; December 4, 2023

2 OMB M-21-31, *Improving the Federal Government's Investigative and Remediation Capabilities Related to Cybersecurity Incidents*; August 27, 2021; Improving the Federal Governments Investigative and Remediation Capabilities Related to Cybersecurity Incidents

3 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)

Contact Us

If you have any questions or comments and would like to contact us about DOT's Agency Financial Report, please email us.

Electronic copies of DOT's Budget and Performance Documents, including the Agency Financial Report, are available on the DOT Budget, Performance and Finance website.

To learn more about the Department of Transportation, including our mission, priorities, and programs; please visit the DOT website.

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

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

Social Media:

US Department of Transportation

@USDOT

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

U.S. Department of Transportation

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

transportation.gov