U.S. Department of Transportation

AGENCY FINANCIAL REPORT

Fiscal Year 2026

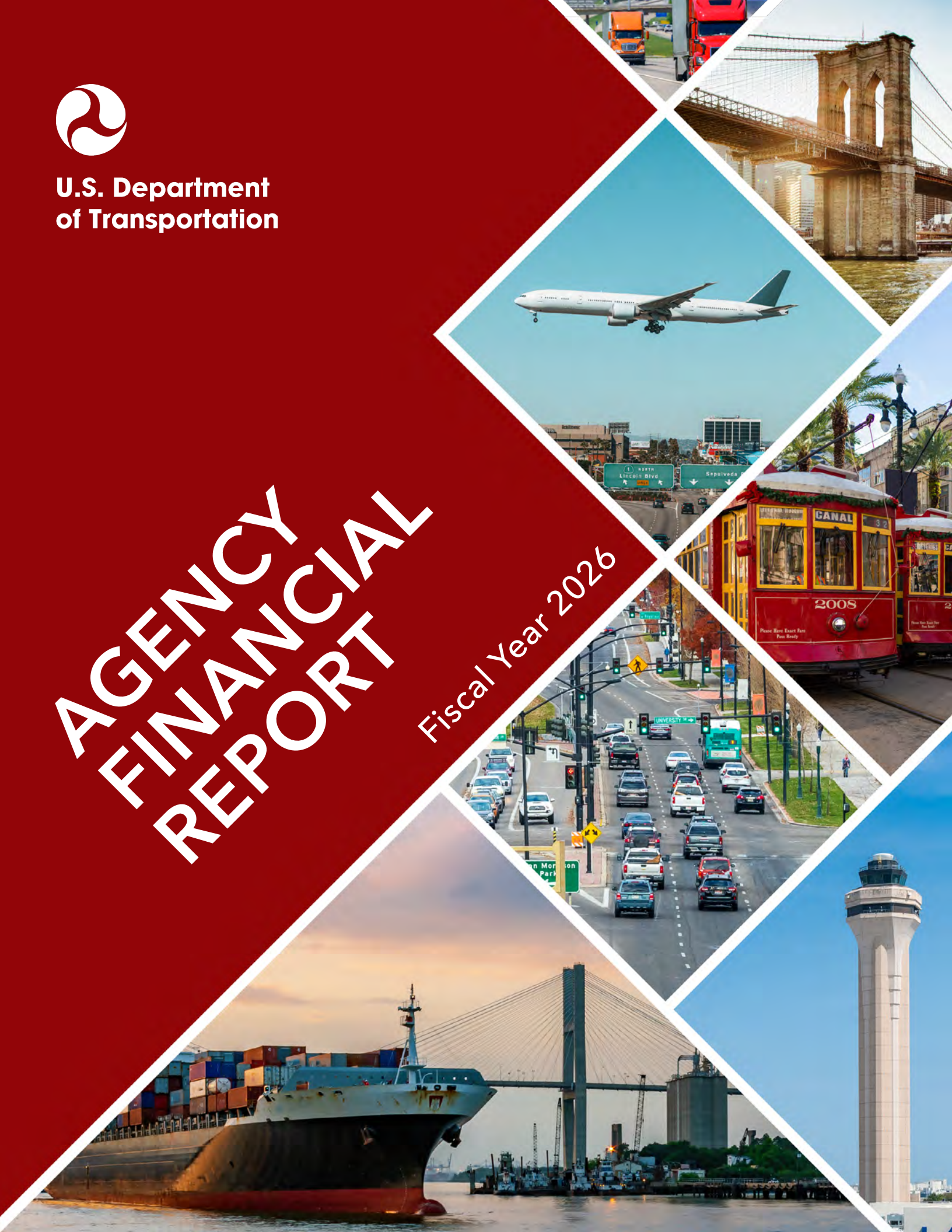




Table of Contents

3 Foreword
5 Message from the Secretary
7 Management's Discussion and Analysis
8 Mission and Organization
9 Organizational Chart
11 Operating Administrations and Independent Organizations
13 Performance Accomplishments and Highlights
15 Financial Highlights
20 FY 2026 Federal Managers' Financial Integrity Act Assurance Letter to the President
21 Analysis of Entity's Systems, Controls, and Legal Compliance
27 Forward Looking Information
30 Financial Report
31 Message from the Assistant Secretary for Budget and Programs and Chief Financial Officer
33 Office of Inspector General Quality Control Review
37 Independent Auditors' Report
44 Management's Response to the Independent Auditors' Report
45 Principal Financial Statements
51 Notes to the Principal Financial Statements
114 Required Supplementary Information
119 Other Information
120 Summary of Financial Statement Audit and Management Assurances
121 Non-Federal Physical Property Annual Stewardship Information Transportation Investments (Unaudited)
123 Inspector General's FY 2027 Top Management Challenges
145 Payment Integrity Information Act Reporting
148 Civil Monetary Penalty Adjustment for Inflation (Unaudited)
158 Grant Programs (Unaudited)
159 Audit Resolution Report (Unaudited)
161 Appendix
162 Certificate of Excellence in Accountability Reporting Award
163 Photo Credits
165 Acronyms List
170 Contact Us

Foreword

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2026 provides an overview of the Department'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 statute 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 2026 annual reporting includes the following two components.

Agency Financial Report

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 2026 performance information is found on page 13.

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

The Other Information section provides Payment Integrity Information Act of 2019 (PIIA) reporting details and other statutory reporting requirements, including the Summary of Financial Statement Audit and Management Assurances; the Inspector General's FY 2027 Top Management Challenges; Civil Monetary Penalty Adjustments for Inflation; Grant Programs; and Audit Resolution Report.

Annual Performance Report (APR)

The FY 2026 APR is scheduled for publication in February 2027. It will provide detailed performance information and descriptions of results by each key performance measure and trend data.

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);
- Government 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.



November 10, 2026

Message from the Secretary



I am pleased to present the U.S. Department of Transportation (DOT or the Department) Fiscal Year (FY) 2026 Agency Financial Report (AFR), which reflects our responsibility to the President, Congress, and the American people to manage Federal tax dollars with discipline, transparency, and accountability through sound financial management. The report also demonstrates DOT's commitment to the proper stewardship of public funds and the delivery of quality data and information on DOT's fiscal operations. These efforts are supported by disciplined financial management, strong internal controls, and a continued commitment to using taxpayer resources wisely and effectively.

The mission of DOT is to advance safety, enable the efficient movement of people and goods, unleash American innovation, and support the building of big and beautiful projects that improve the lives of the American people. In FY 2026, that mission guided our work across every mode of transportation as we enhanced safety, invested billions in critical infrastructure, and continued to deploy new technology across the national airspace at record speed as part of our brand-new air traffic control system.

Safety is our North Star. Throughout FY 2026, DOT allocated funding and implemented new strategies specifically designed to protect the traveling public and reduce risk across the whole of the transportation system. From redirecting $2 billion away from California's failed high-speed rail boondoggle to help upgrade hundreds of rail crossings to investing nearly $1 billion through the Safe Streets and Roads for All program, the Department is boosting safety across the Nation. These investments are making a difference; transportation fatalities dropped significantly in FY2026. The Department continues to use funding to advance safety in our skies—investing more and more of the $12.5 billion from the Working Families Tax Cut Act to build a brand-new air traffic control system. As of September 30, 2026, each of the 13 project workstreams remain on target and on budget—all while moving at a breakneck pace.

The Department has also leveraged its authority to spur change and protect the traveling public. The Federal Motor Carrier Safety Administration continues to audit States' commercial driver's license practices, to investigate shady training schools, and to crack down on fraud. Our Federal Transit Administration used oversight authority to spur fare evasion reductions in metro areas across the country and launched targeted actions to fix critical safety lapses with local agencies like the Chicago Transit Authority and the Southeastern Pennsylvania Transportation Authority.

Results, not red tape. Under President Trump's leadership, America is building again. The Department has dramatically improved grant processing and project management to get dirt turning on essential infrastructure upgrades. The Federal Highway Administration (FHWA) announced $5.7 billion in competitive grants—the most ever in a single fiscal year—all while slashing red tape to reduce environmental reviews by 60 percent—the fastest project delivery ever achieved by FHWA. The Department's Maritime Administration (MARAD) oversaw the deployment of a 300 percent increase in the Small Shipyards grant program. Through the Better Utilizing Investments to Leverage Development (BUILD) program, the Department invested $1.7 billion in transformative projects across America that will directly impact the public. These projects include upgrades to existing roads, bridges, and ports, as well as new rail infrastructure and desperately needed truck parking expansions. These investments are especially important as aging infrastructure and traffic bottlenecks continue to limit economic productivity and slow the Nation's supply chains. Lastly, DOT successfully coordinated a record-breaking FIFA World Cup—leveraging $100 million in infrastructure investments to help millions of fans get to the games safely and on time.

Modernizing our transportation networks at record speed. DOT continued its rapid deployment of new radars, radios, voice switches, electronic flight strips, and other up-to-date technologies across the National Airspace System (NAS). We have made our progress in this unprecedented effort



transparent to the public, with statistics on the status of each workstream published at modernskies.faa.gov/#stats. The Department also rolled out a new air traffic management system—SMART—which holds the promise of substantially reducing unnecessary delays across the NAS for the benefit of the flying public. And, under the direction of the President, DOT launched a first-of-its-kind pilot program for electric vertical takeoff and landing (eVTOL) aircraft through the eVTOL integration pilot program. With over half a dozen demonstration flights already completed, this pilot program will ensure the United States has a framework to integrate emerging aviation technologies safely into the NAS.

Beyond aviation, DOT advanced freight and supply chain modernization through the release of the 2026 National Freight Strategic Plan. The plan provides a roadmap for improving the safety, efficiency, resiliency, and competitiveness of our Nation's freight networks, which move more than 54 million tons of goods valued at more than $68 billion every day. Together, these efforts will help ensure America's transportation system remains prepared to meet future demands while supporting innovation, economic growth, and global competitiveness.

Innovative financing, marque projects. The Department is making significant progress on a series of major infrastructure projects that will fundamentally transform how millions of Americans get where they need to go. Since taking over control of the New York Penn Station transformation project, DOT and Amtrak have deployed millions in planning grants, selected a master developer as part of a public-private partnership, and unveiled stunning new renderings for this transformed gateway into the financial capital of the world. As part of the President's effort to Make D.C. Beautiful Again, the Department announced plans to overhaul Washington Dulles International Airport and continued its efforts to renovate Washington Union Station.

The Department's Build America Bureau has utilized innovative financing solutions to tackle major transportation challenges across the country, including eliminating congestion in Virginia and starting construction of a new I-10 bridge in Alabama. And the Department is launching a new public-private partnership program—America's Great Corridors of Commerce—to leverage existing rights of way to spur new development along the Nation's highways and rail networks.

OVERVIEW OF THE FISCAL YEAR 2026 FINANCIAL RESULTS

I am pleased to share that for the 20th 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, DOT can provide reasonable assurance that its internal controls and financial management systems meet the objectives of FMFIA.

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

DOT also published a new Strategic Plan for FYs 2026–2030 and recalibrated its performance goals to measure progress towards the strategic plan. A summary of the performance progress achieved in FY 2026 is included in this report.

The accomplishments described throughout this report reflect the dedication of DOT's workforce and the strong partnerships that support transportation improvements across the country. As we continue advancing safety, infrastructure, and modernization priorities, we remain committed to transparency, accountability, and the responsible stewardship of taxpayer resources. I am proud of the DOT employees whose service and commitment make this mission possible and whose efforts help strengthen the transportation systems that connect and support communities nationwide.

Sincerely,

Sean P. Duffy



Management's Discussion and Analysis

Mission and Organization

The Department of Transportation's (DOT or the Department) mission is to: Advance safety. Move people and goods. Build big and beautiful infrastructure. DOT, established in 1966, 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.

The Secretary of Transportation (Secretary), 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.

DOT employs nearly 53 thousand people 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. Office of Inspector General (OIG), although formally part of DOT, is independent by law.

Additional information about DOT, its mission, leadership, components, and activities can be found at transportation.gov.

Fiscal Year (FY) 2026 DOT at a Glance

Advancing safety, moving people and goods, and building America's transportation infrastructure.

ADVANCE SAFETY

$665M

Invested in roadway safety initiatives

National Highway Traffic Safety Administration funded state traffic safety initiatives on March 30, 2026.

MOVE AMERICA

$233M

For more accessible rail transit stations

Federal Transit Administration selected eight projects in five states on September 10, 2026.

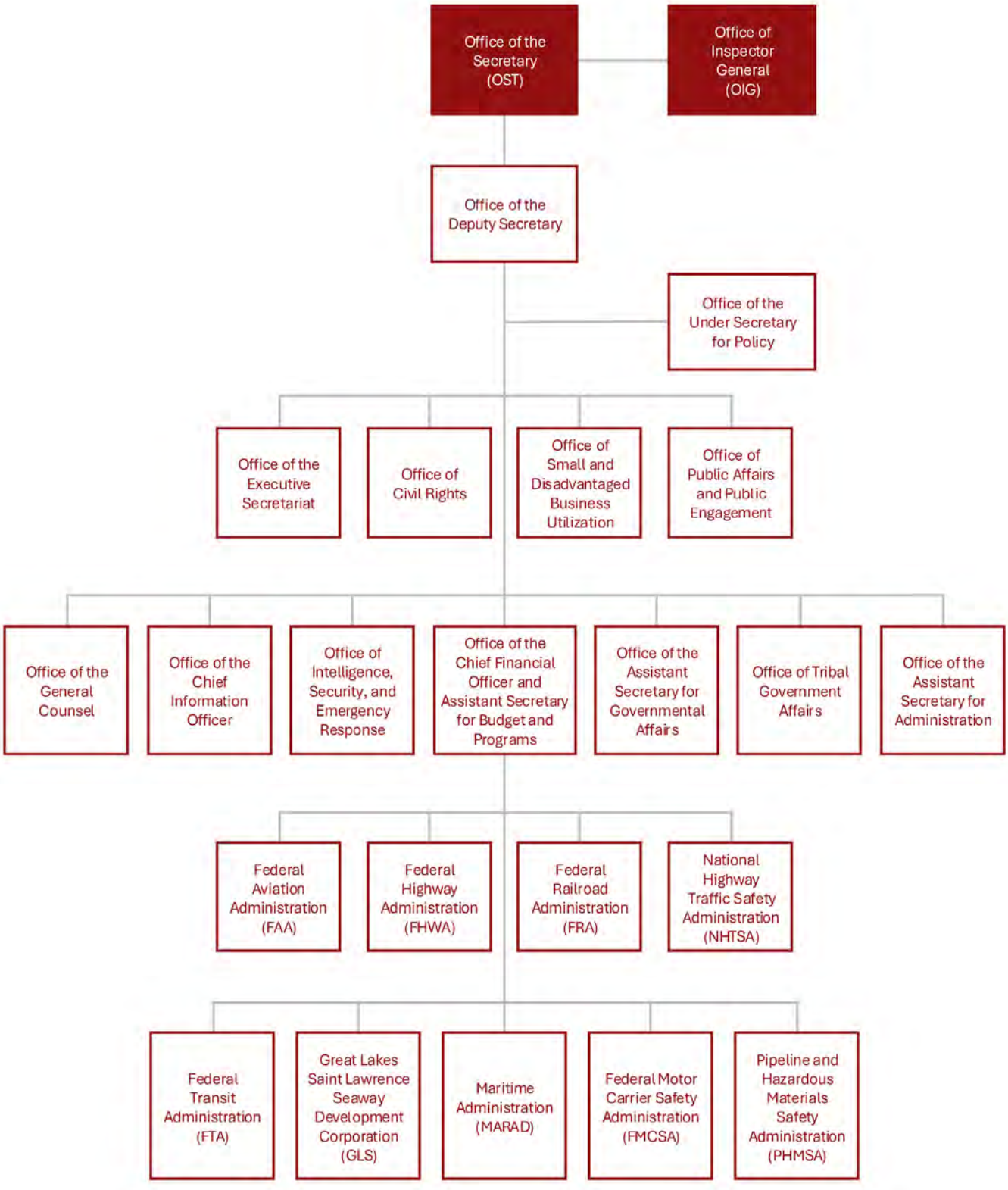
BUILD INFRASTRUCTURE

$35.18M

Small shipyard grants awarded

Maritime Administration awarded grants to 45 shipyards in 24 states and one U.S. territory.

Organizational Chart





MOVING PEOPLE AND PRODUCTS FOR 250 YEARS

Transportation has carried American progress for 250 years.

Maritime Trade Routes

Railroads

Highways

Airports

IMAGINE *what we can* ACCOMPLISH *in the* NEXT 250 YEARS

FRA executes its dual railroad safety and development mission by establishing and enforcing minimum safety standards, modernizing regulations to enable technological advances that promote safety, investing in rail services and infrastructure, and researching and developing innovations and advanced technology solutions.

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.

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's 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.

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.

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 Accomplishments and Highlights

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 FY 2026 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.

The following activities represent notable accomplishments and highlights related to DOT's Performance Reporting in FY 2026 and their association to the overall related net costs of DOT, by category, as reported on DOT's FY 2026 Statement of Net Costs.

SURFACE TRANSPORTATION - $101.1B

Roadway Safety

Reducing roadway fatalities requires a holistic approach that emphasizes the importance of a transportation system that anticipates human mistakes and provides multiple layers of protection, including safe roads, vehicles, and people. The U.S. DOT's National Roadway Safety Strategy, released in August 2026, describes the departmental plan to reduce traffic fatalities and injuries on the nation's roadways and make American roads safer by prioritizing three core objectives: Safer People, Safer Roads, and Safer Vehicles.

AIR TRANSPORTATION - $26.7B

Aviation Safety

Supported by $12.5 billion in funding from Congress, DOT initiated an overhaul of the national Air Traffic Control (ATC) system. During FY 2026, DOT achieved several key milestones related to implementation of the Brand New Air Traffic Control System (BNATCS):

- Replaced one-third of existing copper wiring, installed 148 new radio systems, and delivered $835.8 million to replace aging ATC towers and upgrade facilities at 41 airports nationwide.
- Reached the 100th installation of the Surface Awareness Initiative (SAI) across 44 airport towers. Additionally, new Surface Movement Radars were installed at key hubs—including Newark Liberty and Ronald Reagan Washington National Airport (DCA)—to improve runway tracking of planes and vehicles in all weather conditions.
- Increased air traffic controller hiring by 20 percent through streamlining FAA Academy processes, cash incentives, and expanded Collegiate Training Initiative (CTI) programs.
- Launched a recruitment campaign targeting gamers for their transferable spatial and focus skills, resulting in nearly 1,000 new academy students.
- Launched the Modern Skies public tracking portal to highlight more than 10,000 active air traffic control modernization projects across the country.

In September 2026, DOT released the Strategic Management of Airspace, Routes and Trajectories (SMART)—a cutting-edge tool that centralizes 200 data streams – including weather patterns, flight paths, traffic flow, and controller staffing metrics—into one platform. SMART's Artificial Intelligence (AI)-supported engine then synthesizes all this data to provide a comprehensive visualization of where planes are going, how much traffic the system can handle, and where congestion or weather could cause challenges. Aviation specialists can use the platform to see what conditions will be in the future and make recommendations to fix the problems before they arise.

MARITIME TRANSPORTATION - $1.2B

Maritime Dominance

DOT invested heavily in maritime infrastructure, dedicating over half a billion dollars to improve ports and $35 million to revitalize small shipyards. Additionally, DOT is strengthening supply chains by funding marine highways, renovating the U.S. Merchant Marine Academy (USMMA), and launching a nuclear energy initiative to make commercial vessels faster and more independent.

CROSS-CUTTING PROGRAMS - $589M

Operational Efficiency

Each year, DOT manages a high volume of complex grant applications, regulatory filings, and public comments. Providing enterprise-wide Generative AI (GenAI) access presents a massive opportunity to automate the data analysis and workflows associated with these processes. To that end, DOT expanded access to GenAI to all eligible employees and conducted monthly AI literacy trainings to encourage responsible use of these tools.

Also, under its "1DOT IT" initiative, DOT took concrete steps to consolidate information technology (IT) infrastructure and resources across the enterprise to maximize operational efficiency and save tax dollars. As a part of this initiative, DOT started streamlining and automating the grant management lifecycle through implementation of a unified discretionary grants management system.

** The programs and accomplishments listed above do not account for the total amounts reported for each category of the Statement of Net Costs as presented here and in the Financial Report section of this document.*

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). DOT 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, 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 authorization covers the period through 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 30, 2026, a 5-year period, for highway construction, infrastructure, R&D, safety, and transit programs. In addition to these amounts, Division J of P.L. 117-58 also provides $184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA also authorized an additional $93.5 billion to be provided through appropriations acts. Of the $567.4 billion provided in IIJA, DOT has announced $516.7 billion in related grants, obligated $454.6 billion, and outlaid $272.1 billion in IIJA funding. The vast majority of IIJA funds were provided with multi-year or no-year periods of availability and therefore, even though there are no additional IIJA funds after September 30, 2026, DOT expects to see continued increases in grants announced, obligations incurred, and outlays made in the coming fiscal years 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 (OBBBA) or the Working Families Tax Cuts 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 rescinding over $4 billion in unobligated balances from the FY 2022 Inflation Reduction Act (P.L. 117-169).

Effective October 1, 2026, DOT is operating under a continuing resolution (CR) P.L. 119-103, to continue Government operations. The CR will be in effect through December 11, 2026, unless superseded by enactment of specified appropriations legislation and includes a provision that allows DOT to continue spending at FY 2026 rates.

P.L. 119-103 also includes a Surface Transportation Reauthorization through December 11, 2026, providing funding for mandatory programs at the same pro-rata share based on FY 2026 IIJA levels. The extension does not include advance appropriations.

Overview of Financial Position

ASSETS

DOT's Consolidated Balance Sheets reported total assets of $329.0 billion at the end of FY 2026 compared with $331.5 billion at the end of FY 2025. The Fund Balance with Treasury line item increased by $17.8 billion from the prior year. This increase was primarily the result of additional funding received in FY 2026 offset by disbursements made due to normal business operations during the current period, as well as an overall decrease in investments in U.S. Treasury Securities causing a higher Fund Balance with Treasury balance at September 30, 2026. Investments decreased by $22.4 billion due to the HTF having more drawdowns than collections of excise taxes during the fiscal year in order to cover current period disbursements.

Loans Receivable, Net increased by $1.4 billion due to increases in Loans Receivable activity in Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Improvement Financing (RRIF) loan programs during the current period.

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

ASSETS BY TYPE

(Dollars in Thousands)

LINE ITEM	2026	%	2025	%
Fund Balance with Treasury	$ 211,663,936	64.3	$ 193,870,942	58.5
Investments	67,985,800	20.7	90,342,456	27.2
Loans Receivable, Net	29,606,273	9.0	28,243,334	8.5
Property, Plant and Equipment	16,462,033	5.0	15,480,048	4.7
Inventory and Related Property, Net	1,378,479	0.4	1,286,864	0.4
Advances and Prepayments	963,782	0.3	1,266,965	0.4
Other Assets	642,901	0.2	647,632	0.2
Accounts Receivable	303,489	0.1	402,303	0.1
Total Assets	**$ 329,006,693**	**100**	**$ 331,540,544**	**100**

LIABILITIES

DOT's Consolidated Balance Sheets report total liabilities of $56.1 billion at the end of FY 2026, as summarized in the table below. This number represents a $6.8 billion increase from the previous year's total liabilities of $49.3 billion. Debt increased by $2.2 billion. This increase was due to increases noted in TIFIA and RRIF Loan activity during FY 2026 which increased debt borrowings to finance loan activity. The Accrued Grant Liabilities increased by $2.7 billion. This increase was due to overall increases in grants awarded to states, along with increased IIJA grants awarded in FY 2026 coinciding with significantly more costs being incurred by grantees during the current period. Advances from Others and Deferred Revenue increased by $1.8 billion. This increase was due to an overall increase in spending authority as well as increased funding received from the Department of Defense (DoD)/Navy under the Ready Reserve Force (RRF) reimbursable agreements supporting modernization and sustainment of MARAD's National Defense Reserve Fleet (NDRF) in FY 2026.

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

LIABILITIES BY TYPE

(Dollars in Thousands)

LINE ITEM	2026	%	2025	%
Debt	$ 30,912,518	55.1	$ 28,731,018	58.2
Accrued Grant Liabilities	16,315,092	29.1	13,614,131	27.6
Advances From Others and Deferred Revenue	3,435,998	6.1	1,642,146	3.3
Other Liabilities	1,832,732	3.3	1,744,260	3.5
Federal Employee Salary, Leave, and Benefits Payable	976,618	1.7	1,079,442	2.2
Environmental and Disposal Liabilities	955,862	1.7	953,393	1.9
Accounts Payable	945,031	1.7	794,296	1.6
Post-employment Benefits Payable	579,914	1.0	636,724	1.3
Loan Guarantees	145,877	0.3	148,109	0.3
Total Liabilities	**$ 56,099,642**	**100**	**$ 49,343,519**	**100**

Results of Operations

NET COSTS

DOT's Net Cost of Operations was $130.3 billion for FY 2026, and represents DOT's Gross Costs by Program, less Earned Revenue. Surface and Air costs represent 98.1 percent of DOT's total net cost of operations. Surface transportation program costs represent the largest investment for DOT, at 77.6 percent of the net cost of operations. These costs mainly support the construction, maintenance, and improvement of the nation's roads, bridges, and infrastructure. They also include major grant programs to states that provide funding for projects improving the safety, efficiency, and reliability of intercity passenger freight rail and public transportation systems. Furthermore, they cover highway traffic safety grants that provide funding to state and local jurisdictions for initiatives aimed at reducing traffic-related fatalities and injuries.

Air transportation is the next largest investment, at 20.5 percent of total net cost of operations. These costs are comprised of the cost of operating FAA's programs and activities which are primarily driven by three main operational areas: The Air Traffic Organization and its substantial labor expenses and contractor costs; the Airports line of business, whose costs are fueled almost entirely by capital grant funding through AIP Stewardship Investments and Aviation Safety through its workforce salaries and contractor operations costs. More information can be found on FAA's operations and costs in its FY 2026 AFR.

Net Costs increased by $190 million, or 0.15 percent, in FY 2026 compared to FY 2025. This increase is immaterial to DOT's overall financial statements and represents normal business operations.

DOT's Net Costs reflected in the Consolidated Statements of Net Costs are summarized in the following table:

NET COSTS

(Dollars in Thousands)

LINE ITEM	2026	%	2025	%
Surface Transportation	$ 101,128,836	77.6	$ 102,533,943	78.8
Air Transportation	26,723,553	20.5	25,603,467	19.7
Maritime Transportation	1,183,808	0.9	719,717	0.6
Cross-Cutting Programs	588,898	0.5	615,351	0.4
Costs Not Assigned to Programs, Net	652,844	0.5	615,852	0.5
Net Cost of Operations	**$ 130,277,939**	**100**	**$ 130,088,330**	**100**

NET POSITION

DOT's Consolidated Balance Sheets and Consolidated Statements of Changes in Net Position report a Net Position of $272.9 billion at the end of FY 2026, a 3.3 percent decrease from the $282.2 billion reported in FY 2025. This $9.3 billion difference was mainly attributed to a decrease in appropriations received in FY 2026 offset by increases in gasoline and diesel excise taxes received in the HTF, increased excise taxes received for air passenger tickets and international departures in the AATF, and there being fewer rescissions overall for DOT in FY 2026 compared to the prior year. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

DOT's Net Position is reflected in the Consolidated Balance Sheets and the Consolidated Statements of Changes in Net Position as summarized in the following table:

NET POSITION

(Dollars in Thousands)

LINE ITEM	2026	2025	% CHANGE
Unexpended Appropriations	$ 191,199,733	$ 180,252,451	6.1
Cumulative Results of Operations	81,707,318	101,944,574	-19.9
Total Net Position	**$ 272,907,051**	**$ 282,197,025**	**-3.3**

Resources

BUDGETARY RESOURCES

The Combined Statements 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 2026, DOT had total Budgetary Resources of $326.9 billion, which represents a decrease of $4.5 billion, or 1.35 percent change from the FY 2025 levels of $331.3 billion. Budgetary Resources of $326.9 billion consisted of $156.1 billion in unobligated authority carried over from previous years, which represents an increase of $10.2 billion from the prior year's $145.9 billion balance. This increase represents the results of prior year's activity carried forward to the current year. Budget Authority totaled $170.8 billion and consisted of $64.0 billion in appropriations, $88.2 billion in borrowing and contract authority, and $18.6 billion in spending authority from offsetting collections. Overall Budget Authority decreased $14.6 billion from FY 2025. This decrease was primarily due to decreases in appropriations received by DOT in FY 2026 compared to those received in the prior year offset by increases to contract authority in Grant to State programs. DOT's FY 2026 obligations incurred totaled $178.1 billion compared with FY 2025 obligations incurred of $177.4 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2026, DOT had net outlays of $124.2 billion compared with FY 2025 levels of $127.6 billion, a 2.6 percent decrease.

RESOURCES

(Dollars in Thousands)

LINE ITEM	2026	2025	% CHANGE
Total Budgetary Resources	$ 326,880,287	$ 331,346,650	-1.35
New Obligations and Upward Adjustments	$ 178,065,962	$ 177,421,370	0.4
Agency Outlays, Net	$ 124,237,834	$ 127,550,839	-2.6

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 OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

FY 2026 Federal Managers' Financial Integrity Act Assurance Letter to the President



The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report on the effectiveness of the internal control and financial management systems for the U.S. Department of Transportation (DOT) during Fiscal Year (FY) 2026. Based on the results of the FY 2026 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, as well as for meeting the objectives of *Sections 2 and 4* of the Act. 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 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, 2026.

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*.

As we usher in a new golden age of transportation, the Department will continue to enhance program integrity and implement efficiencies, using safety and innovation as its foundation to deliver ambitious infrastructure investments with uncompromising accountability.

Sincerely,

Sean Duffy
Secretary of Transportation

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

Federal Managers' Financial Integrity Act of 1982 (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'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 2026 the Secretary 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, 2026.

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 Office of Management and Budget (OMB) Circular 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 DOT's assurance statement for the Secretary.

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 designing, assessing, and reporting on internal controls. The Statement of Assurance is based on assessments performed during FY 2026. DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2026 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 2026 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 2026, DOT documented and assessed internal controls over a diverse array of business processes. Appendix A activities in FY 2026 included conducting entity, process, transaction, information system, and service provider assessments of the controls over reporting.
- 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 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 OMB Circular A-123, Appendix C. In FY 2026, 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, two FHWA programs, National Highway Performance Program and Surface Transportation Block Program, are considered High-Priority Programs and subject to quarterly reporting in FY 2027 to demonstrate the progress made to improve payment integrity (see *Payment Integrity Information Act Reporting* and OMB's website, paymentaccuracy.gov, 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 2026 (see FFMIA for more information).

Disaster Relief Appropriations Act, 2014 (P.L. 113-2), OMB Memorandum: Accountability for Funds Provided by the Disaster Relief Appropriations Act (March 12, 2013)

- During FY 2026, 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 Internal Control*, is in the preceding section of this report.



PHMSA regulates over 3.3 million miles of pipeline that safely transport 64% of the Nation's energy commodities.

Federal Financial Management Improvement Act (FFMIA)

Under Section 803(a) of the FFMIA, agencies must maintain financial management systems that substantially comply with three core requirements: (1) Federal financial management system requirements, (2) applicable FASAB Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) at the transaction level. DOT receives its core accounting and financial management services from the Enterprise Services Center (ESC), a federal shared service provider that also hosts and maintains Delphi, DOT's primary financial management system. As part of its FFMIA compliance assessment, DOT obtained and reviewed ESC's FY 2026 Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control Report. Using this review, management's internal control assessments, and the FFMIA Compliance Determination Framework outlined in OMB Circular A-123, Appendix D, *Management of Financial Systems – Risk and Compliance*, DOT determined that it complied with FFMIA for FY 2026.

Federal Information Security Modernization Act of 2014 (FISMA) (P.L. 113-283)

DOT and its Office of the Chief Information Officer (OCIO) have spent the past year taking a revolutionary approach to improving the agency's cybersecurity posture. This included increasing the integration of the FAA cybersecurity governance within the DOT information technology portfolio. The scale of this change under the "1DOT" initiative cannot be overstated.

The OCIO's strategic pivot was necessary to address systemic security debt ranging back over a decade. These dedicated efforts have yielded clear, measurable results—most notably demonstrated during recent auditor penetration testing. The benefits of DOT's efforts are being noticed and strongly realized with one clear example being auditor penetration testing resulting in zero **new findings** for the OST Common Operating Environment (COE) system and FAA Safety Assurance System (SAS). Examples of some significant efforts and enhancements conducted during FY 2026 include:

LEGACY CYBERSECURITY RISK PROFILE REDUCTION

Established the Risk Reduction Task Force (RRTF), driving measurable risk mitigation across four core pillars:

- Audit Recommendations: Addressed the closure of 119 prior-year OIG and U.S. Government Accountability Office (GAO) audit recommendations.
- Authorizations to Operate (ATOs): Eliminated 100 percent of expired ATOs as of September 9, 2026.
- Plan of Action and Milestones (POA&Ms) Remediation: Closed, mitigated, or canceled 3,169 POA&Ms since July 2026. Reduced open non-FAA POA&Ms to 389 as of October 2026, while actively working daily to resolve remaining FAA POA&Ms.
- Vulnerability Mitigation: Achieved a 61 percent reduction in total vulnerabilities and a 99 percent reduction in High-risk vulnerabilities (dropping from 1,115 on June 9, 2026, to 7 on September 28, 2026). Progress is reported regularly to departmental leadership and OMB.

POLICY & GOVERNANCE

Updated and published 23 Cybersecurity and Privacy policies and procedures.

CONTINUOUS MONITORING & OVERSIGHT

Enhanced monthly departmental cyber health reporting and real-time dashboards to systematically remediate Known Exploitable Vulnerabilities (KEVs) in accordance with Binding Operational Directive (BOD) 26-04.

- Completed seven (7) tabletop exercises and validated processes for incident response, lines of communication, and expectations for interactions during incidents under specific conditions to validate playbook models.
- Implemented key Continuous Threat Exposure Management (CTEM) capabilities for vulnerability management and penetration testing and aligned for the next phase of enhanced continuous penetration testing capabilities.
- Deployed key User Activity Monitoring capability in support of the DOT Counterintelligence and Insider Threat Program, shifting DOT into a proactive mode for addressing risk.
- Increased system alignment with OMB Memorandum M-21-31 requirements for event logging, log retention and log management, ensuring centralized access and visibility for the DOT's Security Operations Center.

ENTERPRISE VISIBILITY

Implemented enterprise logging capabilities and enhanced reporting mechanisms, including:

- Implemented AI to triage network and system events, enabling human-in-the-loop processing of over 75 percent of items in the Security Events Information System, which reduced incident identification times, minimized the processing level of effort, and improved confidence in incident detections.

- Modernized visibility and observability for the DOT's Security Operations Center and its information systems in meeting updated requirements and reference architecture within OMB Memoranda 26-14 improving the effectiveness of threat hunting, investigation, response, and forensics.

AUDIT READINESS & ARTIFACT PACKAGES

- Developed updated Provided By Customer (PBC) responses for 60 new FY 2026 PBC requests.
- Prepared Closure Request memoranda/artifact packages for 24 of 52 legacy FISMA audit recommendations, resulting in OIG formally closing five of them and identifying 15 for follow-up validation in Calendar Year (CY) 2027.
- Three new recommendations were identified as part of the FY 2026 FISMA OIG audit. All new findings are scheduled to be addressed by the end of FY 2027. Successfully completed audits with no GAO recommendations for Zero Trust Architecture (ZTA) and cloud environments.

DOT continues to make steady progress toward implementing enterprise-wide logging capabilities, despite constrained resources. Efforts over the reporting period include automating continuous penetration testing and attack path mapping to prioritize risk remediation and drive informed defense decisions based on realized threats. We continue to advance the DOT Counterintelligence and Insider Threat program with advanced integrations into the User and Entity Behavior Analytics system, extending the capability to all OAs under the Enterprise services model. Significant progress has been made on key Zero Trust (ZT) initiatives related to identity, network segmentation, device management and phishing-resistant multifactor authentication.

These improvements stem from DOT's continued focus on communication, collaboration, and consistency across its enterprise. DOT is strengthening its cybersecurity posture and compliance with FISMA through policy enforcement, expanding cybersecurity partnership and coordination with the OAs to ensure sustained progress. Through these efforts, DOT will continue advancement in FY 2027, with a focus on proactive risk management, automation, and measurable outcomes that will further elevate DOT's cybersecurity resilience and FISMA maturity.



In April 2026, NHTSA launched Pathways to Safer Streets (P2SS), a first-of-its-kind behavioral safety plan featuring eight pathways to address the leading causes of roadway crashes. This collaborative, multi-office initiative advances NHTSA's mission to reduce roadway fatalities and injuries.

Financial Management Systems Strategy

DOT remains committed to delivering reliable, secure, and efficient financial management services across its OAs. In partnership with its designated Federal Shared Service Provider (FSSP), the ESC, DOT continues to modernize financial systems by adopting advanced technologies that strengthen transaction processing, financial reporting, and data analytics capabilities.

As an 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 2026, DOT and ESC focused on key strategic priorities, including: Aligning with government-wide mandates; Integrating auxiliary enterprise applications with the core financial system (Delphi); Strengthening cybersecurity and internal controls; and Expanding business process automation. These efforts enhance secure access to financial data, increase transparency, and reinforce DOT's stewardship of taxpayer dollars. Technology enhancements continue to drive automation and improve the accuracy and timeliness of financial information across the agency.

KEY INITIATIVES & SYSTEM INTEGRATIONS

Executive Order (EO) Compliance. In FY 2026, DOT implemented key system improvements supporting EO 14247 *(Modernizing Payments To and From America's Bank Account)* and EO 14249 *(Protecting America's Bank Account)* to enhance payment integrity and safeguard against fraud, waste, and abuse:

- **EO 14249 (Protecting America's Bank Account):** Completed the migration of the GLS, the final DOT OA, onto Delphi, DOT's department-wide financial management system. Updated the Financial Management System of Records Notice (SORN) and expanded Do Not Pay (DNP) capabilities in partnership with the U.S. Department of the Treasury (vendor verification in October 2026; pre-award and prepayment document actions targeted for February 2027).
- **EO 14247 (Modernizing Payments):** Designed integrations with Treasury's Digital Pay and upgraded Payment Automation Manager (PAM) solutions.

Highlighting the success of this collaboration, Treasury commended DOT/ESC for providing a model DNP compliance approach and plans to share these operational enhancements for broader federal adoption.

Government Invoicing (G-Invoicing) Integration. DOT continued advancing core financial system integration with the U.S. Department of the Treasury's G-Invoicing solution as new platform capabilities emerged. This government-wide initiative automates the lifecycle of Federal Buy/Sell Intragovernmental Transactions (IGT) through a unified online platform, standardizing accounting practices and improving communication between trading partners. The DOT Project Management Office (PMO) is currently executing the final migration phase, transitioning all ongoing IGT buy/sell agreements into G-Invoicing while executing a targeted closeout strategy for legacy agreements that will not be migrated.

GO.gov Travel System Integration. In alignment with the General Services Administration's (GSA) government-wide OneGov enterprise initiative, DOT is transitioning its enterprise travel infrastructure to GO.gov. Managed by IBM as a shared service, GO.gov consolidates legacy travel management tools across civilian agencies—replacing DOT's legacy E2 Solutions platform by June 2027—into a unified, Federal Risk and Authorization Management Program (FedRAMP)-accredited cloud framework (accredited June 2026). Government-wide, GSA projects the system will deliver significant long-term administrative efficiencies and cost reductions over the contract lifecycle.

To manage transition risk, ensure system stability, and deliver full financial integration, DOT is executing a structured, three-phase implementation integrated with its core financial system, Delphi:

- **Phase 1** – Pilot Phase: Initial Capabilities & Validation (November 2026): Deployment of full system functionality and complete Delphi financial system integration for designated pilot OAs to validate performance, system stability, and operational workflows in a live production environment.
- **Phase 2** – Primary Wave: Core OAs (December 2026): Expansion of full operational capabilities to the primary user population across all OAs, except for FAA, following initial pilot validation.
- **Phase 3** – Final Wave: Enterprise Completion & Legacy Retirement (March 2027): Transition FAA user populations to GO.gov, achieving complete end-to-end travel automation ahead of the June 2027 legacy system retirement.

This phased rollout strengthens internal financial controls over travel authorizations and disbursements, mitigates operational deployment risk, reduces redundant IT infrastructure, and enhances the accuracy and timeliness of Department-wide financial reporting.

GrantLens Integration. GrantLens is a "1DOT" initiative for an enterprise, cloud-based grants management system. Designed to modernize and unify grants management across all OAs and the OST, GrantLens will ultimately replace 10 to 14 legacy systems with a single source of truth covering the complete award lifecycle—from pre-award through post-award monitoring, performance reporting, and closeout. This modernization improves efficiency, transparency, and consistency across DOT. In FY 2026, DOT applied an agile approach to pilot GrantLens across three discretionary grant programs for the Pre-Award and Award Minimum Viable Product (MVP) stages, utilizing real-world grant scenarios to drive business process refinement. DOT targets delivery of a full grants lifecycle MVP by March 2027 to establish standardized processes and lay the foundation for future GrantLens adoption, with plans to phase in additional programs throughout FY 2027. Integrated directly with DOT's core financial system, Delphi, GrantLens automates workflows—eliminating fragmented legacy systems, centralizing audit documentation, strengthening internal controls, and delivering long-term operational cost savings.

DOT ESC Shared Service Provider Operations

Under DOT leadership, the FAA ESC serves as a designated FSSP, delivering financial management, cybersecurity, and information technology solutions and services across federal agencies. ESC supports DOT agencies alongside multiple client agencies, including Institute of Museum and Library Services (IMLS), U.S. Commodity Futures Trading Commission (CFTC), National Credit Union Administration (NCUA), U.S. Securities and Exchange Commission (SEC), Office of Personnel Management (OPM), Surface Transportation Board (STB), National Endowment for the Arts (NEA), National Council on Disability (NCD), and historical data support for the GAO.

At the core of ESC's support is Delphi, DOT's department-wide core financial system, which is hosted, operated, and maintained by FAA ESC personnel at the Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, OK, under the strategic direction of the DOT Deputy Chief Financial Officer. Pursuant to OMB requirements, ESC undergoes an annual American Institute of Certified Public Accountants (AICPA) SSAE 18 examination for Delphi, providing customer agencies and their auditors with independent assurance to support their annual fiscal year financial statement audits.



44,360 average daily flights handled by the FAA.

$25 billion invested in Aviation from the Infrastructure Investment and Jobs Act.

Forward Looking Information

Enterprise Risk Management

Through revision of Circular A-123 and Circular A-11 in 2026, OMB advised Federal agencies to leverage their existing Enterprise Risk Management (ERM) capability and to coordinate this process with strategic planning, strategic reviews, and internal controls. Agencies are expected to maintain an enterprise risk profile that identifies significant risks, including fraud, that impact the achievement of their strategic objectives.

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

During the FY 2026 Risk Profile update cycle, DOT identified eight enterprise-level risks. The FY 2026 risk profile comprises six cross-cutting risks and two 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, DOT 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.	DOT is centralizing commodity enterprise-wide IT functions to eliminate redundancies and vulnerabilities. Also, it is deploying advanced Department of Homeland Security (DHS)/Cybersecurity and Infrastructure Security Agency (CISA)-integrated analytics to neutralize threats and prioritize funding to aggressively resolve pending GAO audit findings.
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 (the Office) 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.
Human Capital Gaps: IF DOT is unable to put the right people with the right skill sets 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.

ENTERPRISE RISK	MITIGATION EFFORTS
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 the government to further implement evolving fraud risk management efforts. To follow EO 14249 and prevent fraud, DOT is expanding its use of the 'Do Not Pay' system to make sure DOT funds go only to eligible recipients.
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 not be able to accelerate project delivery.	DOT 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 and cost overruns and ensure grants meet technical and financial requirements. Additionally, OST plans to enhance its use of data analytics and 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 the 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 2027 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 address 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 2028 Annual Performance Plan and FY 2026 APR available on DOT's website. The FY 2027 OIG Top Management Challenges and DOT's response are also presented in the Other Information section of this report.

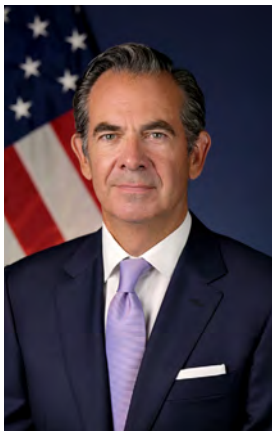




Financial Report

November 10, 2026

Message from the Assistant Secretary for Budget and Programs and Chief Financial Officer



It is an honor to present the fiscal year (FY) 2026 U.S. Department of Transportation (DOT or Department) Financial Statements. Throughout the year, our financial management professionals collaborated across the Department to advance DOT's financial priorities and help achieve our mission. Through all of this, our finance staff was able to persevere and thrive in order to exceed DOT's financial goals and support its mission. This can be seen in our FY 2026 Auditors' report, which affirms an unmodified "clean" opinion for the 20th consecutive year with no material internal control weaknesses. DOT continues to take great pride in our stewardship of public funds and makes it a priority to provide trustworthy and reliable results and reporting to the American people. Our audit results demonstrate this commitment as we continue to provide accurate and effective accounting and reporting of resources in support of DOT's ability to effectively and efficiently execute its mission.

Improved Reporting and Transparency. DOT has continued to transform our financial assistance processes, resulting in more efficient and transparent grants management practices. Building on our recent improvements in discretionary grant tracking and reporting, the Department has begun an ambitious and transformational project to consolidate numerous outdated grant management systems into a single modern platform. This new approach is simplifying the grants application process for project sponsors, reduce processing times, standardize processes across financial assistance programs, enhance DOT's stewardship of taxpayer resources and continue driving improvements towards more efficient and effective implementation of these programs.

Protecting America's Bank Account. DOT significantly strengthened its internal control environment in FY 2026 to safeguard taxpayer resources by completing onboarding steps to the Department of the Treasury's "Do Not Pay" working system. DOT financial management and privacy officials collaborated with the Department of the Treasury and Office of Management and Budget to update relevant systems of records notices and establish comprehensive data sharing agreements. Leveraging this framework, DOT's financial service provider, the Enterprise Services Center (ESC), successfully designed and implemented automated preventative controls to screen vendor eligibility by seamlessly integrating with "Do Not Pay" through a secure application programming interface. The "Do Not Pay" system is a secure data-sharing tool and centralized portal that allows federal agencies to verify recipient identity and check payment eligibility in real-time before making an award or issuing a disbursement. To further mature these risk mitigation efforts in FY 2027, DOT and the ESC will refine this technical integration by launching a continuous monitoring solution designed to proactively evaluate payee risk levels prior to any award or disbursement. Additionally, DOT will begin to integrate "Do Not Pay" controls into its core procurement and grant workflows by institutionalizing due diligence policies and



documentation standards, while simultaneously empowering program, procurement, and financial management officials with direct query access in "Do Not Pay's" web portal to broaden their independent research capabilities.

Financial Management Systems Enhancements. DOT remains committed to delivering sound financial management services while strengthening our cybersecurity posture and technology footprint to meet evolving federal regulations and directives governing critical systems. In FY 2026, DOT prioritized government-wide mandates alongside planned system improvements. In alignment with Executive Order (EO) 14249, DOT completed the onboarding of the Great Lakes St. Lawrence Seaway Development Corporation (GLS)—the final DOT Operating Administration—onto Delphi, the department-wide financial management system. Additionally, DOT updated the Financial Management System of Records Notice (SORN), implemented integrations with Treasury's Digital Pay and Payment Automation Manager (PAM) system, and partnered with Treasury to enhance "Do Not Pay" capabilities in compliance with EOs 14247 and 14249. Further financial management integration initiatives include implementation phases for GSA's centralized travel management system (Go.gov) and the phased rollout of DOT's Office of Grants and Financial Assistance's GrantLens system for commitment and award transactions. Integration with Go.gov and GrantLens will extend into FY 2027, driving enhanced department-wide standardization and automation.

Ensuring Program Effectiveness. In FY 2026, the Department published the FY 2027 Annual Performance Plan (APP) and FY 2025 Annual Performance Report (APR). The APP established near-term performance goals aligned with the Administration's priorities as well as DOT's long-term Strategic Plan for FYs 2026 - 2030. It defined the level of performance for the Department to achieve and provided information about the Department's plans for continued progress toward fulfilling its mission. The APR provided information on the Department's progress in achieving the goals and objectives described in the APP. In addition, DOT continued to maintain its enterprise risk management capability to drive risk-informed decision making.

During FY 2026, 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.

This past fiscal year DOT concluded an unprecedented year by executing over $178.1 billion in total obligations and $151 billion in gross expenditures to modernize America's infrastructure. Within those historic overarching totals, we also achieved a record-breaking milestone for our discretionary grant programs by announcing over $15.1 billion and officially obligating more than $13.9 billion in grants. Managing this immense volume of funding demands absolute accountability and rigorous oversight. By pairing these unprecedented financial commitments with our ongoing transformational project to consolidate numerous outdated grant management systems into a single modern platform, GrantLens, we are ensuring that every taxpayer dollar is deployed efficiently and transparently. DOT is proud to have received its 20th consecutive clean audit opinion. This does not mean that our job is complete. To continue to provide world-class financial operations and results, we must continually seek to correct and improve our financial management environment. During the FY 2026 Audit there was one significant deficiency related to weaknesses in access controls and segregation of duties over 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 Chief Digital and Information Officer to identify and implement the necessary corrective actions required to ensure prompt resolution.

Sincerely,

Edward C. Eppler

Office of Inspector General Quality Control Review

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 16, 2026

Subject: ACTION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2026 and 2025 | Report No. QC2027005

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 years 2026 and 2025 as mandated by the Chief Financial Officers Act of 1990.[1]

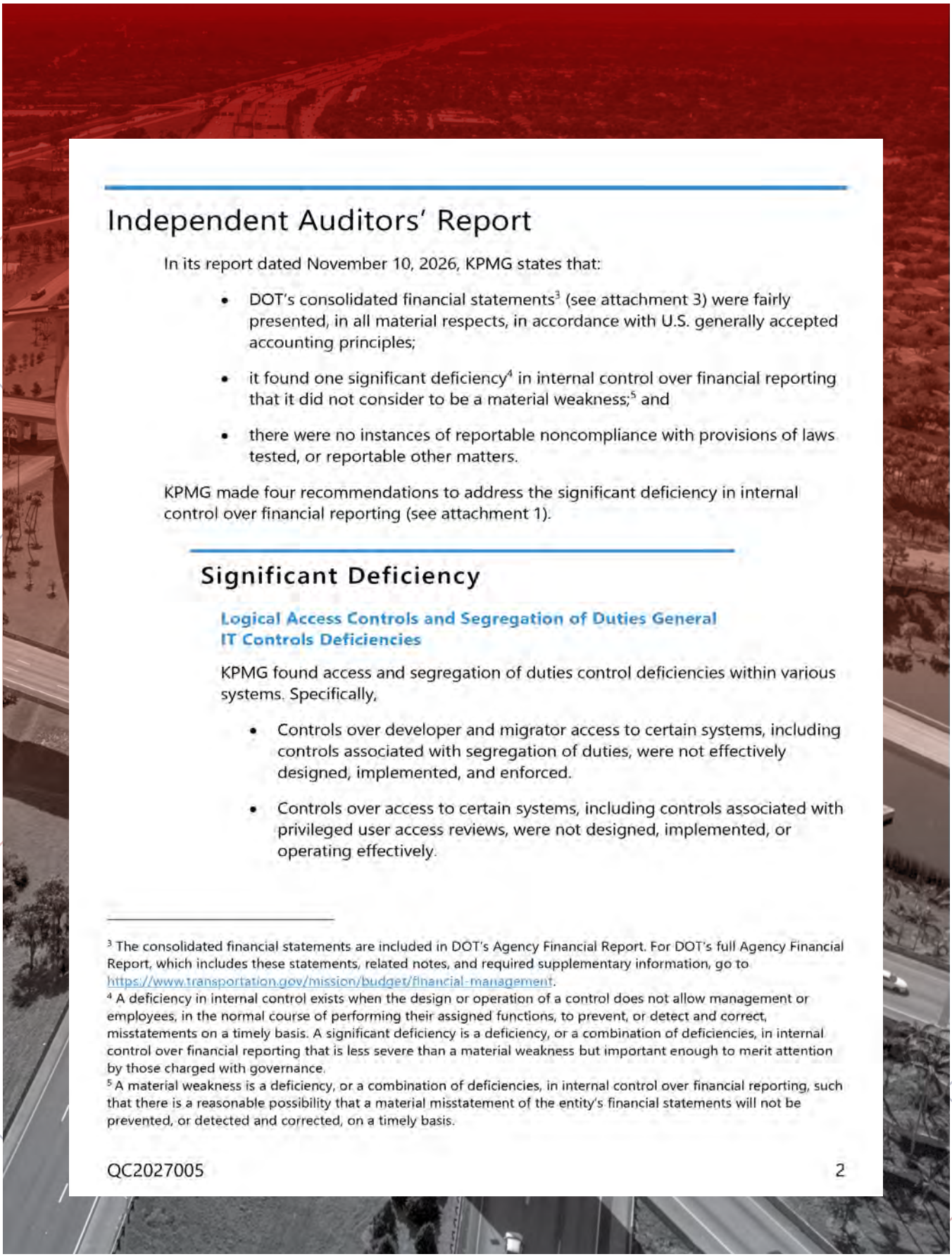
We contracted with the independent public accounting firm KPMG LLP to audit DOT's consolidated financial statements as of and for the fiscal years ended September 30, 2026, and September 30, 2025, and provide an opinion on those financial statements, report on internal control over financial reporting, 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*.[2]

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

[1] Public Law Number 101-576 (1990).
[2] GAO, *Financial Audit Manual*, Volume 1 (GAO-26-108577), June 2026; Volume 2 (GAO-26-107706), June 2026; Volume 3 (GAO-26-108632), July 2026.

QC2027005 1



Independent Auditors' Report

In its report dated November 10, 2026, KPMG states that:

- DOT's consolidated financial statements[3] (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- it found one significant deficiency[4] in internal control over financial reporting that it did not consider to be a material weakness;[5] and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

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

Significant Deficiency

Logical Access Controls and Segregation of Duties General IT Controls Deficiencies

KPMG found access and segregation of duties control deficiencies within various systems. Specifically,

- Controls over developer and migrator access to certain systems, including controls associated with segregation of duties, were not effectively designed, implemented, and enforced.
- Controls over access to certain systems, including controls associated with privileged user access reviews, were not designed, implemented, or operating effectively.

[3] 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.

[4] 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 but important enough to merit attention by those charged with governance.

[5] 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.

QC2027005 2

Office of Inspector General Quality Control Review (cont.)

Recommendations

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

1. Implement a process to establish and review segregation of duties for change management roles and responsibilities, mandating independent reviews, within certain systems.
2. Design and implement independent monitoring or secondary reviews of deployments to help reduce the risks associated with segregation of duties conflicting permissions.
3. Design, document, implement, and re-enforce controls over privileged user access review to certain systems, including periodic recertification of accounts and enforcing segregation of duties.
4. Assess workload and allocate additional support resources to assist supervisors with completing reviews, while maintaining segregation of duties principles.

Quality Control Review

We performed a QCR of KPMG's report, dated November 10, 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 November 5, 2026, and received DOT's response, dated November 10, 2026 (see attachment 2). DOT agreed with the deficiencies KPMG found. DOT also concurred with KPMG's four recommendations and committed to developing a corrective action plan to

QC2027005 3

address the deficiencies by December 31, 2026. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

We consider all four 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 sheets as of September 30, 2026 and 2025, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2026 and 2025, and its net cost, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

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

Responsibilities of Management for the Consolidated Financial Statements

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



KPMG

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02 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 Department'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 audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

2

Independent Auditors' Report (cont.)

KPMG

Other Information

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

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

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, 2026, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

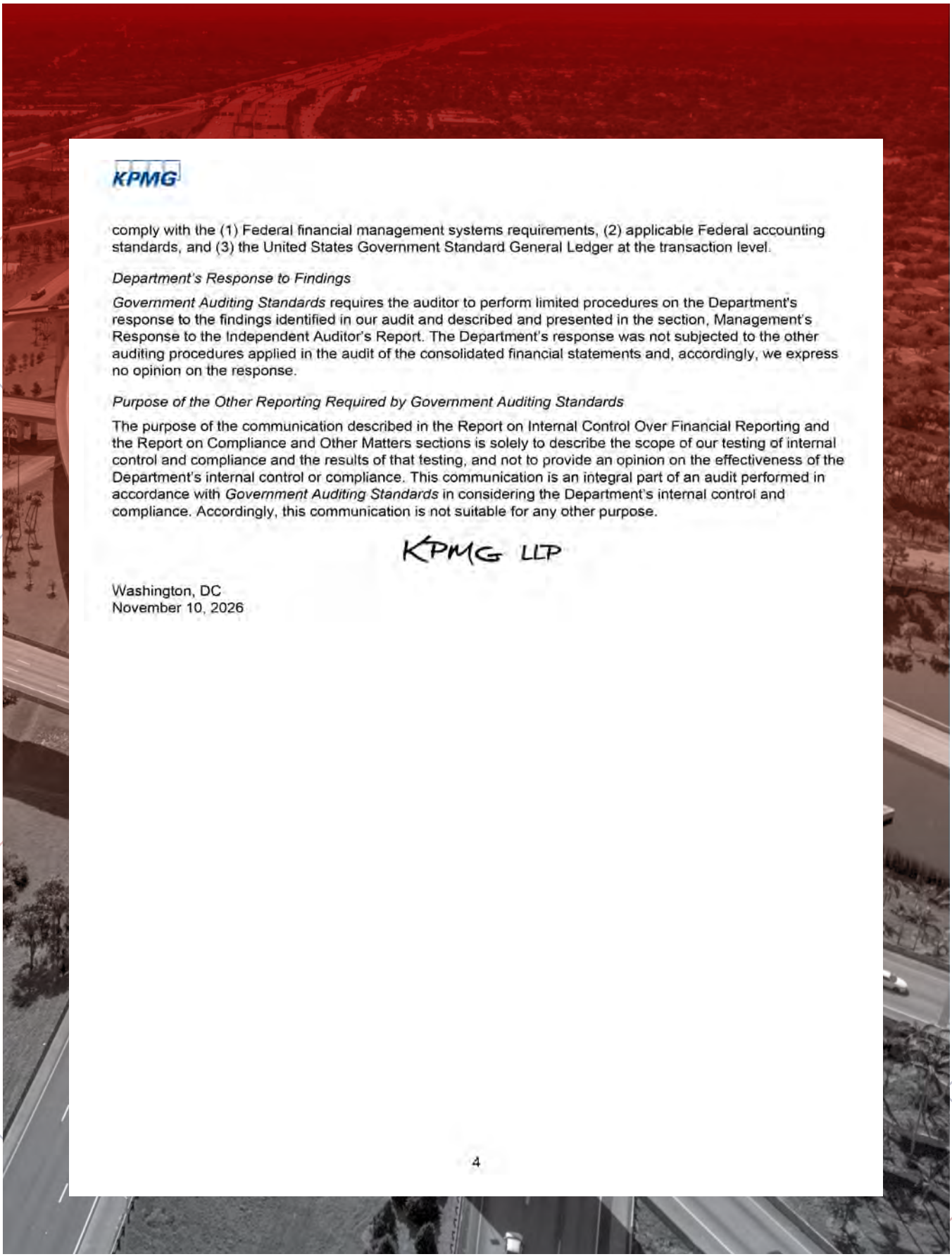
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in Exhibit I as item 2026-01, 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, 2026 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



KPMG

comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described and presented in the section, Management's Response to the Independent 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. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 10, 2026

4

Independent Auditors' Report (cont.)

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

EXHIBIT I
SIGNIFICANT DEFICIENCY

2026 - 01: Logical Access Controls and Segregation of Duties General Information Technology Controls Deficiencies

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.

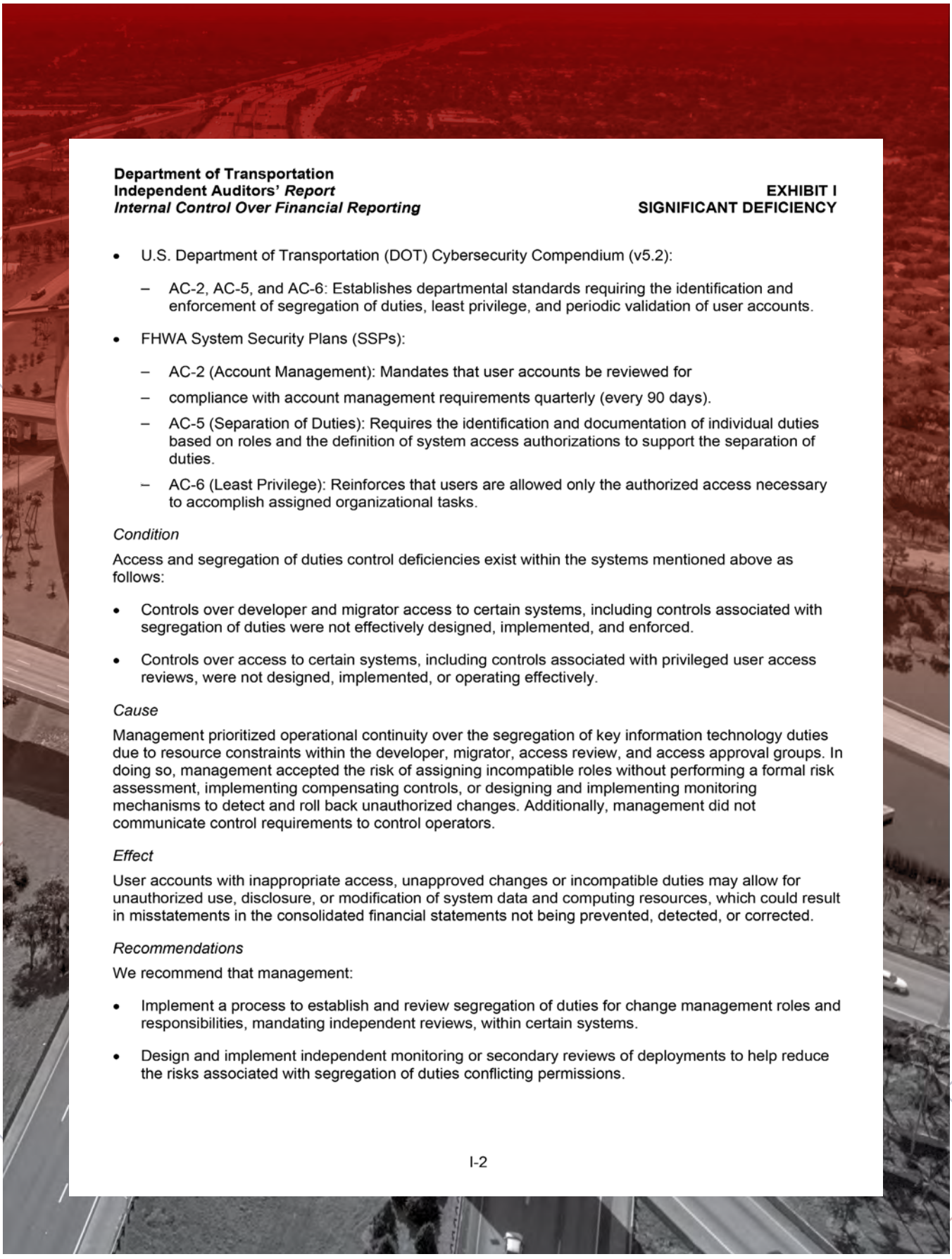
The Federal Highway Administration (FHWA) utilizes various systems, including but not limited to, a user profile and access control system to manage user access to various applications within the FHWA environment and a system to award and manage grant funding.

Criteria

The assessment of internal controls over the segregation of duties and change-management processes was performed in accordance with the following federal, departmental, and agency-level standards:

- OMB Circular No. A-123, Management's Responsibility for Internal Control:
  - Section III (C): Emphasizes that control activities must include proper Documentation (preserving evidence to support decisions) and Approval and Authorization (higher-level endorsement of validation decisions and system transactions).
- GAO Standards for Internal Control in the Federal Government (Green Book):
  - Principle 10 – Design Control Activities (Paragraph 10.21): Mandates that management consider the segregation of duties so that incompatible duties are segregated. Where segregation is not practical, management must design alternative (compensating) control activities to mitigate the risk.
  - Principle 11 – Design IT General Controls (Paragraphs 11.02, 11.07, 11.16): Directs management to design general control activities to mitigate information security risks (specifically confidentiality, integrity, and availability) and separate responsibilities so that one individual does not control all critical stages of a process.
  - Principle 12 – Implement Control Activities (Paragraphs 12.03, 12.04): Requires management to document unit responsibilities, policies, and procedures, and communicate them entity-wide so personnel can implement control activities for their assigned responsibilities.
- NIST Special Publication 800-53, Revision 5 (Security and Privacy Controls for Information Systems and Organizations):
  - AC-2 (Account Management) & AC-6 (Least Privilege): Require federal organizations to employ the principle of least privilege and periodically review user accounts and assigned privileges to validate the ongoing need for such access.
  - AC-5 (Separation of Duties): Mandates identifying and documenting duties requiring separation and defining system access authorizations to support separation of duties to prevent malevolent activity or abuse of privileges.
  - AC-6 (Least Privilege): Mandates employing the principle of least privilege, allowing only authorized access necessary to accomplish assigned organizational tasks.

I-1



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

EXHIBIT I
SIGNIFICANT DEFICIENCY

- U.S. Department of Transportation (DOT) Cybersecurity Compendium (v5.2):
  - AC-2, AC-5, and AC-6: Establishes departmental standards requiring the identification and enforcement of segregation of duties, least privilege, and periodic validation of user accounts.
- FHWA System Security Plans (SSPs):
  - AC-2 (Account Management): Mandates that user accounts be reviewed for
  - compliance with account management requirements quarterly (every 90 days).
  - AC-5 (Separation of Duties): Requires the identification and documentation of individual duties based on roles and the definition of system access authorizations to support the separation of duties.
  - AC-6 (Least Privilege): Reinforces that users are allowed only the authorized access necessary to accomplish assigned organizational tasks.

Condition

Access and segregation of duties control deficiencies exist within the systems mentioned above as follows:

- Controls over developer and migrator access to certain systems, including controls associated with segregation of duties were not effectively designed, implemented, and enforced.
- Controls over access to certain systems, including controls associated with privileged user access reviews, were not designed, implemented, or operating effectively.

Cause

Management prioritized operational continuity over the segregation of key information technology duties due to resource constraints within the developer, migrator, access review, and access approval groups. In doing so, management accepted the risk of assigning incompatible roles without performing a formal risk assessment, implementing compensating controls, or designing and implementing monitoring mechanisms to detect and roll back unauthorized changes. Additionally, management did not communicate control requirements to control operators.

Effect

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

Recommendations

We recommend that management:

- Implement a process to establish and review segregation of duties for change management roles and responsibilities, mandating independent reviews, within certain systems.
- Design and implement independent monitoring or secondary reviews of deployments to help reduce the risks associated with segregation of duties conflicting permissions.

I-2

Independent Auditors' Report (cont.)

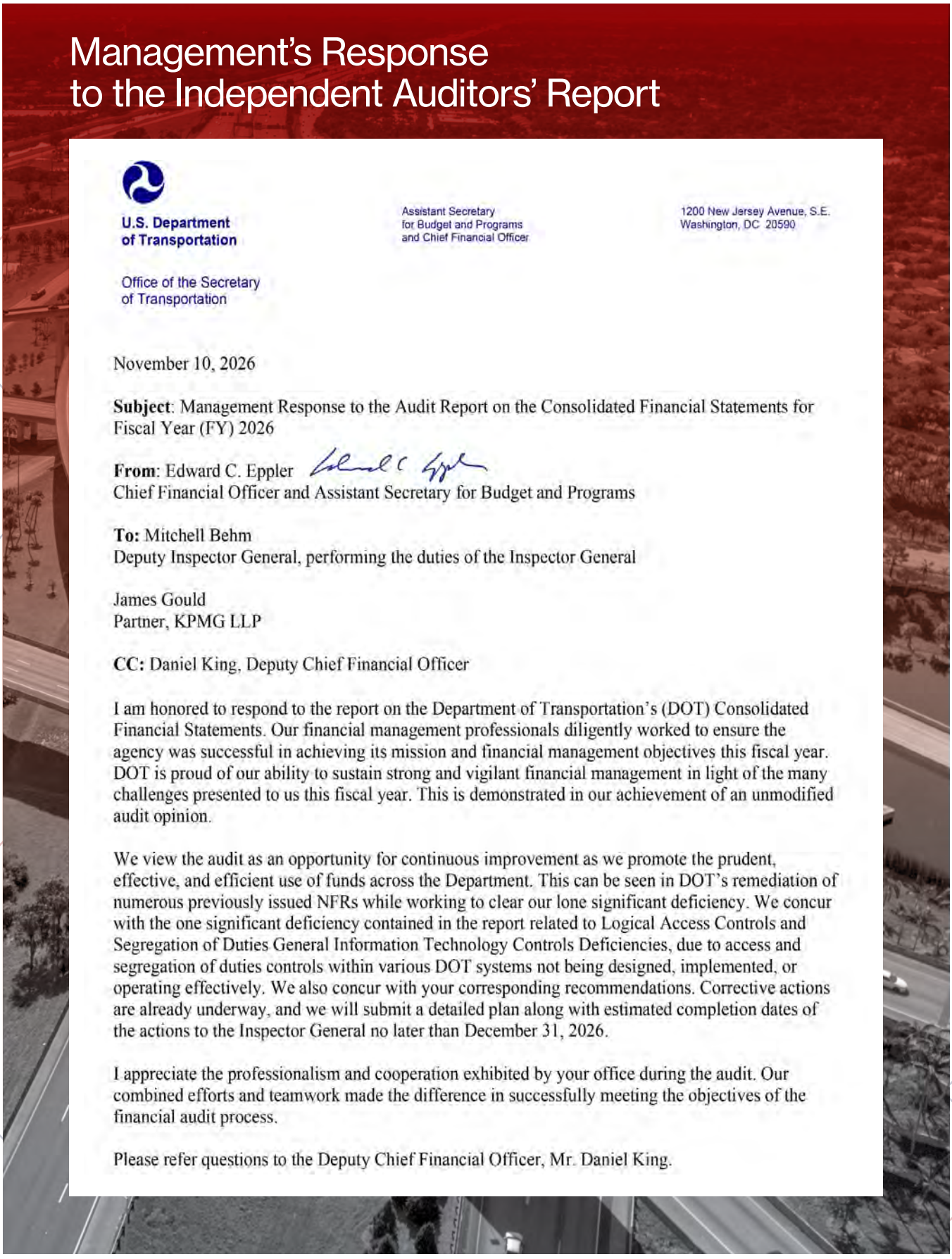
Department of Transportation
Independent Auditors' *Report*
Internal Control Over Financial Reporting

EXHIBIT I
SIGNIFICANT DEFICIENCY

- Design, document, implement, and re-enforce controls over privileged user access review to certain systems, including periodic recertification of accounts and enforcing segregation of duties.
- Assess workload and allocate additional support resources to assist supervisors with completing reviews, while maintaining segregation of duties principles.

I-3

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

November 10, 2026

Subject: Management Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2026

From: Edward C. Eppler
Chief Financial Officer and 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, Deputy Chief Financial Officer

I am honored to respond to the report on the Department of Transportation's (DOT) Consolidated Financial Statements. Our financial management professionals diligently worked to ensure the agency was successful in achieving its mission and financial management objectives this fiscal year. DOT is proud of our ability to sustain strong and vigilant financial management in light of the many challenges presented to us this fiscal year. This is 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 NFRs while working to clear our lone significant deficiency. We concur with the one significant deficiency contained in the report related to Logical Access Controls and Segregation of Duties General Information Technology Controls Deficiencies, due to access and segregation of duties controls within various DOT systems not being designed, implemented, or operating effectively. 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 December 31, 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 Deputy Chief Financial Officer, Mr. Daniel King.

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 or the Department) 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 Sheets**, as of September 30, 2026 and 2025, present those resources owned or managed by DOT that are available to provide future economic benefits (assets); amounts owed by DOT that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOT comprising the difference (net position).

The **Consolidated Statements of Net Cost** present the net cost of DOT operations for the fiscal year that ended September 30, 2026 and 2025. DOT's net cost of operations includes the gross costs incurred by DOT less any exchange revenue earned from DOT activities.

The **Consolidated Statements of Changes in Net Position** present the change in DOT's net position resulting from the net cost of DOT operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal year that ended September 30, 2026 and 2025.

The **Combined Statements of Budgetary Resources** present the budgetary resources available to DOT during the fiscal year that ended September 30, 2026 and 2025; and the status of these resources and the net outlay of budgetary resources for the fiscal year that ended September 30, 2026 and 2025.

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



U.S. DEPARTMENT OF TRANSPORTATION | CONSOLIDATED BALANCE SHEETS

As of September 30, 2026 and 2025 *(Dollars in Thousands)*

BALANCE SHEET ITEMS	2026	2025
Assets		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 211,663,936	$ 193,870,942
Investments, Net (Note 3)	67,985,800	90,342,456
Accounts Receivable, Net (Note 4)	40,554	70,417
Advances and Prepayments (Note 5)	38,164	60,246
Other Assets (Note 11)	318,091	322,822
Total Intragovernmental	**280,046,545**	**284,666,883**
Other than Intragovernmental		
Accounts Receivable, Net (Note 4)	262,935	331,886
Loans Receivable, Net (Note 6)	29,606,273	28,243,334
Inventory and Related Property, Net (Note 7)	1,378,479	1,286,864
Property, Plant and Equipment, Net (Note 8)	16,462,033	15,480,048
Advances and Prepayments (Note 5)	925,618	1,206,719
Other Assets (Note 11)	324,810	324,810
Total Other than Intragovernmental	**48,960,148**	**46,873,661**
Total Assets	**$ 329,006,693**	**$ 331,540,544**
Land and Heritage Assets (Note 9 and Note 10)		
Liabilities (Note 12)		
Intragovernmental		
Accounts Payable	$ 58,361	$ 34,683
Debt (Note 13)	30,912,518	28,731,018
Advances From Others and Deferred Revenue	3,077,699	1,309,696
Other Liabilities (Note 17)	968,004	1,074,051
Total Intragovernmental	**35,016,582**	**31,149,448**
Other than Intragovernmental		
Accounts Payable	886,670	759,613
Federal Employee Salary, Leave, and Benefits Payable (Note 14)	976,618	1,079,442
Post-employment Benefits Payable (Note 14)	579,914	636,724
Environmental and Disposal Liabilities (Note 15 and Note 19)	955,862	953,393
Loan Guarantee Liabilities (Note 6)	145,877	148,109
Advances From Others and Deferred Revenue	358,299	332,450
Other Liabilities		
Accrued Grant Liabilities (Note 16)	16,315,092	13,614,131
Other (Note 17)	864,728	670,209
Total Other than Intragovernmental	**21,083,060**	**18,194,071**
Total Liabilities	**$ 56,099,642**	**$ 49,343,519**
Commitments and Contingencies (Note 19)		
Net Position		
Unexpended Appropriations - Funds From Dedicated Collections (Consolidated) (Note 20)	$ 1,108,168	$ 1,101,224
Unexpended Appropriations - Funds from Other than Dedicated Collections (Consolidated)	190,091,565	179,151,227
Total Unexpended Appropriations (Consolidated)	191,199,733	180,252,451
Cumulative Results of Operations - Funds From Dedicated Collections (Consolidated) (Note 20)	68,029,896	89,507,415
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated)	13,677,422	12,437,159
Total Cumulative Results of Operations (Consolidated)	81,707,318	101,944,574
Total Net Position	272,907,051	282,197,025
Total Liabilities and Net Position	**$ 329,006,693**	**$ 331,540,544**

** The accompanying notes are an integral part of the Consolidated Financial Statements.*

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

For the years ended September 30, 2026 and 2025 *(Dollars in Thousands)*

PROGRAM COSTS	2026	2025
Surface Transportation		
Gross Costs	$ 102,543,387	$ 103,898,650
Less: Earned Revenue	1,414,551	1,364,707
Net Program Costs	**101,128,836**	**102,533,943**
Air Transportation		
Gross Costs	27,470,548	26,433,361
Less: Earned Revenue	746,995	829,894
Net Program Costs	**26,723,553**	**25,603,467**
Maritime Transportation		
Gross Costs	1,981,663	1,488,585
Less: Earned Revenue	797,855	768,868
Net Program Costs	**1,183,808**	**719,717**
Cross-Cutting Programs		
Gross Costs	787,289	804,704
Less: Earned Revenue	198,391	189,353
Net Program Costs	**588,898**	**615,351**
Costs Not Assigned to Programs	657,201	620,233
Less: Earned Revenues Not Attributed to Programs	4,357	4,381
Net Cost of Operations	**$ 130,277,939**	**$ 130,088,330**

** The accompanying notes are an integral part of the Consolidated Financial Statements.*

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

For the years ended September 30, 2026 and 2025

(Dollars in Thousands)

NET POSITION FUNDS	2026 FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)	2026 FUNDS FROM OTHER THAN DEDICATED COLLECTIONS (CONSOLIDATED)	2026 CONSOLIDATED TOTAL	2025 FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)	2025 FUNDS FROM OTHER THAN DEDICATED COLLECTIONS (CONSOLIDATED)	2025 CONSOLIDATED TOTAL
Unexpended Appropriations						
Beginning Balance	$ 1,101,224	$ 179,151,227	$ 180,252,451	$ 920,067	$ 151,633,065	$ 152,553,132
Appropriations Received (Note 1X)	809,400	46,867,092	47,676,492	1,389,633	65,742,033	67,131,666
Appropriations Transferred-in/(out)	-	(54,392)	(54,392)	-	(1,785)	(1,785)
Other Adjustments	(19,630)	(2,842,895)	(2,862,525)	(18,487)	(4,593,923)	(4,612,410)
Appropriations Used	(782,826)	(33,029,467)	(33,812,293)	(1,189,989)	(33,628,163)	(34,818,152)
Net Change in Unexpended Appropriations	6,944	10,940,338	10,947,282	181,157	27,518,162	27,699,319
Total Unexpended Appropriations	**1,108,168**	**190,091,565**	**191,199,733**	**1,101,224**	**179,151,227**	**180,252,451**
Cumulative Results of Operations						
Beginning Balance	89,507,415	12,437,159	101,944,574	112,633,261	12,284,265	124,917,526
Changes in Accounting Principles (Note 1D)	(734)	(102,947)	(103,681)	-	-	-
Beginning balance, as adjusted	89,506,681	12,334,212	101,840,893	112,633,261	12,284,265	124,917,526
Other adjustments	(34,064)	(31,731)	(65,795)	(43,476)	(50,062)	(93,538)
Appropriations Used	782,826	33,029,467	33,812,293	1,189,989	33,628,163	34,818,152
Non-exchange Revenue (Note 21)	75,338,103	21,085	75,359,188	71,394,460	10,255	71,404,715
Donations/Forfeitures of Cash/Cash Equivalents	633	-	633	779	-	779
Transfers-in/(out) Without Reimbursement	(1,350,675)	1,264,636	(86,039)	(1,111,039)	974,154	(136,885)
Donations and Forfeitures of Property	62	10,293	10,355	-	15,472	15,472
Imputed Financing	1,068,163	283,535	1,351,698	1,307,196	127,142	1,434,338
Other	(179,705)	(58,264)	(237,969)	(194,079)	(133,576)	(327,655)
Net Cost of Operations	97,102,128	33,175,811	130,277,939	95,669,676	34,418,654	130,088,330
Net Change in Cumulative Results of Operations	(21,476,785)	1,343,210	(20,133,575)	(23,125,846)	152,894	(22,972,952)
Total Cumulative Results of Operations	**68,029,896**	**13,677,422**	**81,707,318**	**89,507,415**	**12,437,159**	**101,944,574**
Net Position	**$ 69,138,064**	**$ 203,768,987**	**$ 272,907,051**	**$ 90,608,639**	**$ 191,588,386**	**$ 282,197,025**

** The accompanying notes are an integral part of the Consolidated Financial Statements.*

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

For the periods ended September 30, 2026 and 2025

(Dollars in Thousands)

BUDGETARY RESOURCE ITEMS	2026 BUDGETARY	2026 NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS	2025 BUDGETARY	2025 NON-BUDGETARY CREDIT REFORM FINANCING ACCOUNTS
Budgetary Resources (Note 22)				
Unobligated Balance From Prior Year Budget Authority, Net	$ 155,876,194	$ 177,341	$ 145,776,319	$ 147,790
Appropriations (Note 1X)	64,032,399	-	79,577,982	266
Borrowing Authority	-	4,244,832	-	7,101,524
Contract Authority	83,981,837	-	82,235,842	-
Spending Authority From Offsetting Collections	17,824,349	743,335	15,699,629	807,298
Total Budgetary Resources	**$ 321,714,779**	**$ 5,165,508**	**$ 323,289,772**	**$ 8,056,878**
Status of Budgetary Resources				
New Obligations and Upward Adjustments	$ 173,061,892	$ 5,004,070	$ 169,538,770	$ 7,882,600
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	117,983,831	109,053	123,349,601	12,548
Unapportioned, Unexpired Accounts	29,594,066	52,385	29,804,879	161,730
Unexpired Unobligated Balance, End of Year	147,577,897	161,438	153,154,480	174,278
Expired Unobligated Balance, End of Year	1,074,990	-	596,522	-
Unobligated Balance, End of Year	**148,652,887**	**161,438**	**153,751,002**	**174,278**
Total Budgetary Resources	**$ 321,714,779**	**$ 5,165,508**	**$ 323,289,772**	**$ 8,056,878**
Outlays, Net, and Disbursements, Net				
Outlays, Net	$ 125,792,786	-	$ 128,806,173	-
Distributed Offsetting Receipts	(1,554,952)	-	(1,255,334)	-
Agency Outlays, Net	**$ 124,237,834**	-	**$ 127,550,839**	-
Disbursements, Net		**$ 2,196,550**	-	**$ 6,113,332**

** The accompanying notes are an integral part of the Consolidated Financial Statements.*

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Notes to the **Principal Financial** Statements

53 Note 1. Summary of Significant Accounting Policies
61 Note 2. Fund Balance with Treasury
62 Note 3. Investments
63 Note 4. Accounts Receivable
64 Note 5. Advances and Prepayments
64 Note 6. Loans Receivable, Net and Loan Guarantee Liabilities
72 Note 7. Inventory and Related Property
73 Note 8. Property, Plant and Equipment, Net
75 Note 9. Land
77 Note 10. Stewardship Property, Plant, and Equipment
78 Note 11. Other Assets
79 Note 12. Liabilities Not Covered by Budgetary Resources
80 Note 13. Debt
80 Note 14. Federal Employee Salary, Leave and Post Employment Benefits Payable
81 Note 15. Environmental and Disposal Liabilities
82 Note 16. Grant Accrual
83 Note 17. Other Liabilities
84 Note 18. Leases
87 Note 19. Commitments and Contingencies
90 Note 20. Funds from Dedicated Collections
97 Note 21. Excise Taxes and Other Nonexchange Revenue
98 Note 22. Information Related to the Statement of Budgetary Resources
101 Note 23. Custodial Activity
102 Note 24. Reconciliation of Net Operating Cost and Net Budgetary Outlays
105 Note 25. Fiduciary Activities
106 Note 26. Disclosure Entities
108 Note 27. Reclassification of Statement of Net Cost and Statement of Changes in Net Position for the FR Compilation Process
114 Required Supplementary Information

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. 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 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 Statements of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular A-136, *Financial Reporting Requirements*, as revised, and as such, intra-entity transactions have not been eliminated. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets and certain accompanying notes to the consolidated financial statements present agency assets, liabilities, and net position (which equals total assets minus total liabilities) as of the reporting 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 Statements of Net Cost present the gross costs of programs, less earned revenue, to arrive at the net cost of operations, for both the programs and DOT, as a whole for the reporting period.

The Consolidated Statements of Changes in Net Position report beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending net position balances.

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available, as well as the status of budgetary resources at the end of the reporting periods. Recognition and measurement

of budgetary information reported on these statements is based on budget terminology, definitions, and guidance presented in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated August 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 23.

On the Consolidated Balance Sheets and in certain accompanying notes to the consolidated financial statements, transaction balances are classified as either being intragovernmental or other than intragovernmental. Intragovernmental transactions and balances result from exchange transactions made between DOT and other Federal Government entities while those classified as "other than intragovernmental" result from exchange transactions between DOT and non-Federal entities. For example, if DOT purchases goods or services from the public and sells them to another Federal entity, the costs would be classified as "other than intragovernmental," but the related revenues would be classified as "intragovernmental." This could occur, for example, when DOT provides goods or services to another Federal Government entity on a reimbursable basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements, and not to match other than intragovernmental and intragovernmental revenue with costs that are incurred to produce other than intragovernmental and intragovernmental revenue.

DOT accounts for dedicated collections separately from other funds. Funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources which remain available over time. Funds from dedicated collections are required, by statute, to be used for designated activities, benefits or purposes. See Note 20 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 OAs to incur obligations in support of agency programs. For FY 2026 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 (Secretary) 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.

FASAB issued Statement of Federal Financial Accounting Standards (SFFAS) 59, *Accounting and Reporting of Government Land* in July 2021. Effective October 1, 2025, SFFAS 59 requires that land and permanent land rights acquired for or in connection with other property, plant and equipment (PP&E) are to be considered general PP&E but are not to be capitalized on the balance sheet. Starting FY 2026, SFFAS 59 requires that land and permanent land rights be removed from the balance sheet and the reporting of land acreage and permanent land rights be transitioned from an unaudited (Required Supplementary Information (RSI)

presentation) to an audited note disclosure. These changes are reported by recording and presenting an adjustment to the beginning balance of cumulative results of operations in the Statements of Changes in Net Position for the period that the changes are made and presenting prior period financial statements and notes presented for comparative purposes as previously reported. These changes affect the balances for PP&E and cumulative results of operations. Further information regarding DOT's land can be found in Notes 8, 9 and 10.

E. Fund Balance with Treasury

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

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

F. Investments in U.S. Government Securities

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

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 PP&E. 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 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 Sheets (See Note 10).

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 the 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 the 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 PP&E. 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 18)

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.

SFFAS 62, *Transitional Amendment to SFFAS 54*, amends the implementation section of SFFAS 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 liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from transactions other than contracts. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources (i.e., custodial collections).

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 Statements 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 USC 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 18).

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 Employees 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.

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 (FECA) Benefits

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

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because DOT will reimburse 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 the DOT are recognized as imputed cost in the Statements of Net Cost, and are offset by imputed financing sources in the Statements 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 loans 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 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, 2026 financial statements reflect excise taxes certified by the IRS through December 31, 2025 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period January 1, 2026 to September 30, 2026, 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 remains invested until needed and is thereby liquidated and withdrawn from the investments.

APPROPRIATIONS (FINANCING SOURCE)

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

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, 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 (R&D), safety, and transit programs. In addition to these amounts, Division J of P.L. 117-58 also provides $184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA 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) or the Working Families Tax Cuts 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 rescinding over $4 billion in unobligated balances from the FY 2022 Inflation Reduction Act (P.L. 117-169).

Effective October 1, 2026, DOT is operating under a continuing resolution (CR), P.L. 119-103, to continue Government operations. The CR will be in effect through December 11, 2026 unless superseded by enactment of specified appropriations legislation and includes a provision that allows DOT to continue spending at FY 2026 rates. P.L. 119-103 also includes a Surface Transportation Reauthorization through December 11, 2026, providing funding for mandatory programs at the same pro-rata share based on FY 2026 IIJA levels. The extension does not include advance appropriations.

Y. Non-Entity Activity

The Metropolitan Washington Airports Authority (MWAA) and the United States of America, acting by and through the Secretary, entered into a lease, dated March 2, 1987, and effective June 7, 1987, whereby the Secretary leased the Metropolitan Washington Airports (Ronald Reagan Washington National Airport 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 Statements of Net Cost as non-entity program revenues and are offset by other financing sources on the Statements 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 25.

AA. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation and are the result of a change in accounting principle relating to the removal of land and permanent land rights from the balance sheet. The sequence of note disclosures changed due to the addition of a new note disclosure for estimated land acreage. Notes 8, 9, and 10 were impacted by the balance sheet changes.

AB. 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.

AC. 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.

AD. 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 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, 2026 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.

On October 16, 2026, subsequent to the close of the 2026 fiscal year but prior to the issuance of these financial statements, the FAA and the National Air Traffic Controllers Association (NATCA) announced an agreement providing a 2.8 percent pay increase for air traffic controllers. This pay increase takes effect October 18, 2026, and is retroactive to the beginning of the calendar year (CY). Management estimates the retroactive portion of this pay increase to be $100 million. An obligation of $100 million will be posted for October 2026 to accrue the back pay amount. The accrual will be incrementally reversed as Human Resources updates pay information for impacted employees, resulting in outlays for the back pay as well as increased pay rates moving forward. FAA expects all back pay and prospective pay increases to be reflected in the employee's pay and disbursed by December 2026. The retroactive and prospective payments will be funded utilizing the remaining balance in the FY 2026/2027 Operations appropriation and recorded as a labor expense which will appear in the FY 2027 Financial Statements primarily visible in the Air Transportation's gross costs on the Statements of Net Cost and the Combined Statements of Budgetary Resources under Net Outlays.

Note 2. Fund Balance with Treasury

Fund Balance With Treasury as of September 30, 2026 and September 30, 2025 consists of the following:

(Dollars in Thousands)

STATUS OF FUND BALANCE WITH TREASURY	2026	2025
Unobligated Balance	$ 120,408,155	$ 125,457,685
Obligated Balance Not Yet Disbursed	91,016,134	68,177,853
Non-Budgetary Fund Balance with Treasury	239,647	235,404
Total	**$ 211,663,936**	**$ 193,870,942**

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

Note 3. Investments

Investments as of September 30, 2026 consist of the following:

(Dollars in Thousands)

INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS	COST/ACQUISITION VALUE	AMORTIZED DISCOUNT	INVESTMENTS (NET)	MARKET VALUE
Marketable	$ 58,166	$ (2)	$ 58,164	$ 57,593
Non-Marketable: Par Value	66,204,602	-	66,204,602	66,204,602
Non-Marketable Market-Based	1,564,422	(6,226)	1,558,196	1,514,701
Subtotal	**67,827,190**	**(6,228)**	**67,820,962**	**67,776,896**
Accrued Interest Receivable	164,838	-	164,838	-
Total Intragovernmental Securities and Investments	**$ 67,992,028**	**$ (6,228)**	**$ 67,985,800**	**$ 67,776,896**

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 Congress. As of September 30, 2026 and 2025, $66.2 billion and $87.5 billion were 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.

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, 2026 consist of the following:

(Dollars in Thousands)

ACCOUNT RECEIVABLE ITEMS	GROSS AMOUNT DUE	ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS	NET AMOUNT DUE
Intragovernmental			
Accounts Receivable	$ 43,842	$ (3,288)	$ 40,554
Total Intragovernmental	**43,842**	**(3,288)**	**40,554**
Other than Intragovernmental			
Accounts Receivable	427,139	(177,534)	249,605
Accrued Interest	20,203	(6,873)	13,330
Total Other than Intragovernmental	**447,342**	**(184,407)**	**262,935**
Total Accounts Receivable	**$ 491,184**	**$ (187,695)**	**$ 303,489**

Accounts Receivable as of September 30, 2025 consist of the following:

(Dollars in Thousands)

ACCOUNT RECEIVABLE ITEMS	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 $10.5 million and $3.5 million non-entity accounts receivable as of September 30, 2026 and 2025, respectively. The $10.5 million and $3.5 million non-entity accounts receivable, net is interest receivable from the lease arrangement with the MWAA. See Note 11 Other Assets for additional information.

Note 5. Advances and Prepayments

Advances and Prepayments consist of the following as of September 30, 2026 and 2025:

(Dollars in Thousands)

ADVANCES AND PREPAYMENTS ITEMS	2026	2025
Intragovernmental		
Advances to Others and Prepayments	$ 38,164	$ 60,246
Total Intragovernmental	**$ 38,164**	**$ 60,246**
Other than Intragovernmental		
Advances to States for Right of Way	$ 252	$ 252
Advances to Others and Prepayments	925,366	1,206,467
Total Other than Intragovernmental	**$ 925,618**	**$ 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 $925 million and $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 guarantees; and

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 Improvement Financing (RRIF) Program is used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of track, 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	2026 LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY COST (PRESENT VALUE)	VALUE OF ASSETS RELATED TO DIRECT LOANS, NET
(1) TIFIA Loans	$ 28,481,807	$ 233,241	$ 166,635	$ (3,230,465)	$ 25,651,218
(2) RRIF Program	3,718,982	13,851	-	(176,804)	3,556,029
(3) Federal Ship Financing Fund (Title XI)	242,414	-	-	(7,089)	235,325
Total	**$ 32,443,203**	**$ 247,092**	**$ 166,635**	**$ (3,414,358)**	**$ 29,442,572**

(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**

TOTAL AMOUNT OF DIRECT LOANS DISBURSED (POST-1991)

(Dollars in Thousands)

DIRECT LOAN PROGRAMS	2026	2025
(1) TIFIA Loans	$ 2,247,992	$ 6,533,065
(2) RRIF Program	761,646	709,481
Total	**$ 3,009,638**	**$ 7,242,546**

SUBSIDY EXPENSE FOR DIRECT LOANS BY PROGRAM AND COMPONENT

Subsidy Expense for New Direct Loans Disbursed

(Dollars in Thousands)

DIRECT LOAN PROGRAMS	2026 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER SUBSIDY COSTS	TOTAL
(1) TIFIA Loans	$ -	$ 14,304	$ -	$ (27,964)	$ (13,660)
(2) RRIF Program	-	16,952	-	(5,661)	11,291
Total	**$ -**	**$ 31,256**	**$ -**	**$ (33,625)**	**$ (2,369)**

(Dollars in Thousands)

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
Total	**$ -**	**$ 132,281**	**$ -**	**$ (43,341)**	**$ 88,940**

Modifications and Reestimates *(Dollars in Thousands)*

DIRECT LOAN PROGRAMS	2026 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
(1) TIFIA Loans	$ -	$ 1,151,491	$ 140,531	$ 1,292,022
(2) RRIF Program	-	7,258	46,218	53,476
(3) Federal Ship Financing Fund (Title XI)	(2,699)	787	5,032	5,819
Total	**$ (2,699)**	**$ 1,159,536**	**$ 191,781**	**$ 1,351,317**

(Dollars in Thousands)

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

(Dollars in Thousands)

DIRECT LOAN PROGRAMS	2026	2025
(1) TIFIA Loans	$ 1,278,362	$ 681,977
(2) RRIF Program	64,767	46,261
(3) Federal Ship Financing Fund (Title XI)	3,120	1,818
Total	**$ 1,346,249**	**$ 730,056**

BUDGET SUBSIDY RATES FOR DIRECT LOANS FOR THE CURRENT YEAR COHORT

DIRECT LOAN PROGRAMS	2026 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER SUBSIDY COSTS	TOTAL
(1) TIFIA Loans Risk Category 1	0.36%	1.62%	0.00%	0.00%	1.98%
(2) RRIF Program	0.12%	1.36%	0.00%	0.00%	1.48%
(3) Federal Ship Financing Fund (Title XI)	-3.68%	10.67%	-5.67%	0.00%	1.32%

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	2026	2025
Beginning Balance of the Subsidy Cost Allowance	$ 2,036,768	$ 1,435,447
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	31,256	132,281
Other subsidy costs	(33,625)	(43,341)
Total of the Above Subsidy Expense Components	**(2,369)**	**88,940**
Adjustments		
Loan modifications	(2,699)	1,271
Fees received	703	10
Subsidy Allowance Amortization	30,638	(128,746)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**2,063,041**	**1,396,922**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	1,159,536	310,374
Technical/Default Reestimate	191,781	329,472
Total of the Above Reestimate Components	**1,351,317**	**639,846**
Ending Balance of the Subsidy Cost Allowance	**$ 3,414,358**	**$ 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 resulted from the updated default curve methodology. One loan's risk rating improved from an A1 to an A+, which was offset by the other loan's downgrade from A- to BBB-. This resulted from an ownership change modification that reduced the rating, resulting in a net upward reestimate.

GUARANTEED LOANS

Defaulted Guaranteed Loans from Post-1991 Guarantees

(Dollars in Thousands)

LOAN GUARANTEE PROGRAMS	2026 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**

(Dollars in Thousands)

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

(Dollars in Thousands)

LOAN GUARANTEE PROGRAMS	2026 OUTSTANDING PRINCIPAL OF GUARANTEED LOANS, FACE VALUE	AMOUNT OF OUTSTANDING PRINCIPAL GUARANTEED
(3) Federal Ship Financing Fund (Title XI)	$ 636,063	$ 636,063
Total	**$ 636,063**	**$ 636,063**

LIABILITY FOR LOAN GUARANTEES

Present Value Method

(Dollars in Thousands)

LOAN GUARANTEE PROGRAMS	2026 LIABILITIES FOR POST-1991 GUARANTEES, PRESENT VALUE
(3) Federal Ship Financing Fund (Title XI)	$ 145,877
Total	**$ 145,877**

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

Modifications and Reestimates *(Dollars in Thousands)*

LOAN GUARANTEE PROGRAMS	2026 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
(3) Federal Ship Financing Fund (Title XI)	$ 1	$ (107)	$ (2,126)	$ (2,233)
Total	**$ 1**	**$ (107)**	**$ (2,126)**	**$ (2,233)**

(Dollars in Thousands)

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

(Dollars in Thousands)

LOAN GUARANTEE PROGRAMS	2026	2025
(3) Federal Ship Financing Fund (Title XI)	$ (2,232)	$ 86,785
Total	**$ (2,232)**	**$ 86,785**

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

Post-1991 Loan Guarantees *(Dollars in Thousands)*

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2026	2025
Beginning Balance of the Loan Guarantee Liability	$ 148,109	$ 252,294
Add: Fees Received	-	5
Add: Subsidy Expense	-	237
Less: Negative Subsidy Payments	-	(17,642)
Add: Upward Reestimates	7,607	11,711
Less: Downward Reestimates	(9,840)	(97,187)
Loan Guarantee Modifications (+ or -)	1	(1,309)
Ending Balance of Loan Guarantee Liabilities	**$ 145,877**	**$ 148,109**

The Federal Ship Financing Fund (Title XI) downward technical reestimate resulted from reassessments of risk levels on the loan portfolio. The downward reestimates are attributable to no loan defaults, several loans paid-off, and a net result of higher borrower credit ratings.

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2026 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, 2026 and 2025:

(Dollars in Thousands)

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2026	2025
Beginning Balance of Direct and Guaranteed Loans Receivable, Net	$ 28,243,334	$ 22,498,368
Add: Loans Disbursed Payments	3,009,638	7,242,546
Add: Capitalized Interest	345,223	133,800
Less: Principal and Interest Payments Received	(614,332)	(1,030,059)
Less: Fees Received	(703)	(10)
Less: Subsidy Expense	(31,256)	(132,281)
Add: Negative Subsidy Payments	33,625	43,341
Less: Upward Reestimates	(1,527,375)	(809,532)
Add: Downward Reestimates	176,058	169,686
Subsidy Allowance Amortization Increase/(Decrease)	(30,638)	128,746
Less: Loan Modifications	2,699	(1,271)
Ending Balance of Direct and Guaranteed Loans Receivable, Net	**$ 29,606,273**	**$ 28,243,334**

Note 7. Inventory and Related Property

Inventory and Related Property as of September 30, 2026 consists of the following: *(Dollars in Thousands)*

INVENTORY AND RELATED PROPERTY ITEMS	COST	ALLOWANCE FOR LOSS	NET
Inventory			
Inventory Held for Current Sale	$ 304,879	$ -	$ 304,879
Inventory Held for Repair	512,300	-	512,300
Other	39,971	-	39,971
Total Inventory	**857,150**	**-**	**857,150**
Operating Materials and Supplies			
Items Held for Use	464,069	(1,910)	462,159
Items Held in Reserve for Future Use	36,176	-	36,176
Excess, Obsolete and Unserviceable Items	4,583	(3,368)	1,215
Items Held for Repair	41,170	(19,391)	21,779
Total Operating Materials & Supplies	**545,998**	**(24,669)**	**521,329**
Total Inventory and Related Property			**$ 1,378,479**

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

INVENTORY AND RELATED PROPERTY ITEMS	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 predominantly 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 and $20 million in FY 2026 and FY 2025, respectively.

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 United States 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

PP&E as of September 30, 2026 consists of the following: *(Dollars in Thousands)*

MAJOR CLASSES	SERVICE LIFE (IN YEARS)	ACQUISITION VALUE	ACCUMULATED DEPRECIATION/ AMORTIZATION	BOOK VALUE
Capitalized Improvements to Land	10-40	$ 2,203	$ (2,203)	$ -
Buildings and Structures	20-40	9,162,231	(5,449,281)	3,712,950
Equipment	5-15	19,691,922	(15,333,482)	4,358,440
Internal Use Software	3-10	6,392,809	(4,339,127)	2,053,682
Right-to-Use Lease Assets	3-32	457,164	(152,056)	305,108
Leasehold Improvements	3	231,772	(185,483)	46,289
Aircraft	20	269,872	(161,173)	108,699
Ships and Vessels	20-25	3,402,010	(1,523,618)	1,878,392
Small Boats	10	29,739	(29,306)	433
Construction-in-Progress (CIP)	N/A	3,998,040	-	3,998,040
Total		**$ 43,637,762**	**$ (27,175,729)**	**$ 16,462,033**

PP&E 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 Capitalized Improvements to Land	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**

(Dollars in Thousands)

MAJOR CLASSES	NET PP&E 2026	NET PP&E 2025
Balance beginning of year	$ 15,480,048	$ 15,179,935
Effects of implementation of SFFAS 59		
De-recognition of Land at 10/01/2025 (FY 2026 only)	(103,681)	-
Balance beginning of year, adjusted	15,376,367	15,179,935
Capitalized Acquisitions	3,045,374	2,013,817
Right-to-Use Lease Asset Additions	112,959	53,221
Amortization of Right-to-Use Lease Assets	(60,602)	(51,584)
Dispositions	(13,052)	3,894
Revaluations	(553,200)	(344,178)
Donations	10,293	15,472
Transfers	(129,996)	(86,435)
Depreciation Expense	(1,326,110)	(1,304,094)
Balance end of year	**$ 16,462,033**	**$ 15,480,048**

Starting in FY 2026, the cost of land and permanent land rights are not capitalized on the balance sheet, but are instead recognized on the Statements of Net Cost for the period in which the cost of the land or permanent land rights acquisition is incurred.

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 PP&E asset for a period of time in exchange for consideration under the terms of the contract or agreement.

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 PP&E typically flows into and remains 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 9 for additional information on DOT Land to include estimated land acreage.

See Note 18 for additional information on DOT Leases to include right-to-use lease assets.

Information concerning deferred maintenance and repairs (DM&R) is discussed in unaudited RSI.

Note 9. Land

PP&E LAND AND STEWARDSHIP LAND ESTIMATED ACREAGE BY PREDOMINANT USE

FY 2026	COMMERCIAL	CONSERVATION AND PRESERVATION	OPERATIONAL	TOTAL ESTIMATED ACREAGE
PP&E Land and Land Rights				
Start of Current Year (October 1, 2025)	11,802	-	91,177	102,979
End of Current Year (September 30, 2026)	11,802	-	108,696	120,498
Stewardship Land and Land Rights				
Start of Current Year (October 1, 2025)	-	20	44	64
End of Current Year (September 30, 2026)	-	20	44	64
PP&E Land Held for Disposal or Exchange (also included in the balances above)				
Start of Current Year (October 1, 2025)	-	-	550	550
End of Current Year (September 30, 2026)	-	-	481	481

Starting in FY 2026, the cost of land and permanent land rights are not capitalized on the balance sheet, but are instead recognized on the Statements of Net Cost for the period in which the cost of the land or permanent land rights acquisition is incurred. Temporary land rights are not included in the above estimated acreage amounts.

The FAA has 87,629 acres of PP&E land, of which 11,802 is for commercial use and 75,827 is used for operational. FAA also has 481 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 September 7, 1987, Washington Dulles International and Washington National Airports were transferred to the MWAA 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 approved a 30-year extension of the lease agreement. This land is therefore categorized as commercial use land.

To acquire land, 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 Code of Federal Regulations Part 24 (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 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 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 R&D 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, 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 a 99-year lease with Union Station Redevelopment Corporation, a private Washington D.C., nonprofit 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 owned land since 1942 and resides on 82 acres of land of which 44 acres of the land has 35 buildings and the William S. Barstow house residing on the land. The 35 buildings that encircle the central quadrangle of the USMMA and the William S. Barstow house are heritage assets. The Barstow house is the site of the American Merchant Marine Museum. 46 CFR 386 governs the management of buildings and grounds of USMMA.

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

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

Note 10. Stewardship Property, Plant, and Equipment

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

Personal Property Heritage Assets

Implied within 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 American Veterans (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, 2026.

HERITAGE ASSETS

PERSONAL PROPERTY	UNITS AS OF SEPTEMBER 30, 2025	ADDITIONS	WITHDRAWALS	UNITS AS OF SEPTEMBER 30, 2026
Artifacts	361	2	4	359
Other Collections	6,050	29	7	6,072
Total Personal Property Heritage Assets	**6,411**	**31**	**11**	**6,431**

Real Property Heritage Assets

WUS 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 WUS. 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 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.

See Note 9 for additional information on stewardship estimated land acreage.

Information concerning DM&R is discussed in unaudited RSI.

Note 11. Other Assets

Other Assets consist of the following as of September 30, 2026 and 2025: *(Dollars in Thousands)*

OTHER ASSET ITEMS	2026	2025
Intragovernmental		
Other Assets for Non-entity Liabilities—General Fund of the U.S. Government	$ 318,091	$ 322,822
Total Intragovernmental Other Assets	**318,091**	**322,822**
Other than Intragovernmental		
Lessor Lease Receivable	$ 324,810	$ 324,810
Total Other than Intragovernmental	**324,810**	**324,810**
Total Other Assets	**$ 642,901**	**$ 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 18 Leases for additional information.

Note 12. Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources as of September 30, 2026 and 2025 consist of the following:

(Dollars in Thousands)

LIABILITY ITEMS	2026	2025
Intragovernmental		
Other Liabilities		
Unfunded FECA Liabilities	$ 147,506	$ 149,364
Unfunded Employment Related Liability	23,957	22,881
Other Liabilities	9,846	11,325
Total Intragovernmental	**181,309**	**183,570**
Other than Intragovernmental		
Federal Employee Salary, Leave, and Benefits Payable	698,663	740,466
Post Employment Benefits Payable	579,914	636,724
Environmental and Disposal Liabilities (Note 15)	946,729	939,397
Other Liabilities		
Legal Claims	141,663	15,527
Unfunded Lessee Lease Liability (Note 17 and 18)	317,711	263,737
Other Liabilities	64,357	45,977
Total Other than Intragovernmental	**2,749,037**	**2,641,828**
Total Liabilities Not Covered by Budgetary Resources	**2,930,346**	**2,825,398**
Total Liabilities Covered by Budgetary Resources	52,160,702	45,395,631
Total Liabilities Not Requiring Budgetary Resources	1,008,594	1,122,490
Total Liabilities	**$ 56,099,642**	**$ 49,343,519**

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 13. Debt

Debt activities during the fiscal year ended September 30, 2026 and September 30, 2025 consist of the following:

(Dollars in Thousands)

INTRAGOVERNMENTAL DEBT	2025 BEGINNING BALANCE	2025 NET BORROWING	2025 ENDING BALANCE	NET BORROWING	2026 ENDING BALANCE
Debt to the Treasury	$ 22,272,849	$ 6,156,746	$ 28,429,595	$ 2,240,509	$ 30,670,104
Debt to the Federal Financing Bank	317,376	(15,953)	301,423	(59,009)	242,414
Total Intragovernmental Debt	**$ 22,590,225**	**$ 6,140,793**	**$ 28,731,018**	**$ 2,181,500**	**$ 30,912,518**

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 2026, DOT's U.S. Treasury borrowings carried interest rates ranging from .97 percent to 4.8 percent. The maturity dates for these borrowings occur between September 30, 2027 and September 30, 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 14. Federal Employee Salary, Leave and Post Employment Benefits Payable

(Dollars in Thousands)

FEDERAL EMPLOYEE SALARY, LEAVE AND BENEFITS PAYABLE ITEMS	2026	2025
Accrued Funded Payroll and Leave	$ 267,098	$ 325,668
Employer Contributions Payable	10,857	13,308
Unfunded Leave	605,532	632,378
Other Unfunded Employment Related Liability	93,131	108,088
Total Federal Employee Salary, Leave and Benefits Payable	**$ 976,618**	**$ 1,079,442**
Actuarial FECA Liability	$ 579,914	$ 636,724
Total Post-Employment Benefits Payable	**$ 579,914**	**$ 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.

FECA. The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by 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 17) includes $147.9 million and $149.7 million at September 30, 2026 and September 30, 2025, respectively, 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 unit agreements, employees who are in FERS have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

Note 15. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities as of September 30, 2026 and 2025 consist of the following:

(Dollars in Thousands)

ENVIRONMENTAL AND DISPOSAL LIABILITY ITEMS	2026	2025
Environmental Remediation	$ 385,197	$ 391,436
Asset Cleanup and Disposal	570,665	561,957
Total Environmental and Disposal Liabilities	**$ 955,862**	**$ 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, 2026, 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 $9 million and $14 million are considered fully funded and covered by budgetary resources as of September 30, 2026 and 2025, respectively.

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 vessels that no longer have a useful application and are pending disposition. The asset disposal liability as of September 30, 2026, includes the estimated cost of disposing 95 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 19 for contingent environmental liabilities.

Note 16. 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, 2026 and 2025 were as follows:

(Dollars in Thousands)

OA	2026	2025
FAA	$ 2,253,903	$ 1,722,225
FHWA	10,705,289	8,140,314
FTA	2,434,940	3,074,793
Other OAs	920,960	676,799
Total Grant Accrual	**$ 16,315,092**	**$ 13,614,131**

Note 17. Other Liabilities

Other Liabilities as of September 30, 2026 consist of the following:

(Dollars in Thousands)

OTHER LIABILITY ITEMS	NON-CURRENT	CURRENT	TOTAL
Intragovernmental			
Accrued Pay and Benefits	-	119,782	119,782
FECA Billings	80,426	67,444	147,870
Liability for Nonentity Assets	339,285	197,593	536,878
Other Accrued Liabilities	2,611	160,863	163,474
Total Intragovernmental	**$ 422,322**	**$ 545,682**	**$ 968,004**
Other than Intragovernmental			
Legal Claims (Note 19)	-	141,663	141,663
Unearned Lessor Revenue	313,778	4,313	318,091
Unfunded Lessee Lease Liability	262,618	55,093	317,711
Lessee Lease Liability	-	1,008	1,008
Other Accrued Liabilities	29,310	56,945	86,255
Total Other than Intragovernmental	**$ 605,706**	**$ 259,022**	**$ 864,728**
Total Other Liabilities	**$ 1,028,028**	**$ 804,704**	**$ 1,832,732**

Other Liabilities as of September 30, 2025 consist of the following:

(Dollars in Thousands)

OTHER LIABILITY ITEMS	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 19)	-	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 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 the 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 the 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 18. 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 for DOT to GSA.

As of September 30, 2026 and 2025, intragovernmental lease expenses were comprised of the following:

(Dollars in Thousands)

SUMMARY OF INTRAGOVERNMENTAL LEASE EXPENSES BY CATEGORY	2026	2025
Land, Buildings, and Structures	$ 225,509	$ 231,404
Other	11	-
Total Intragovernmental Lease Expenses	**$ 225,520**	**$ 231,404**

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 PP&E 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's 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 2056. 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 5.27 percent.

As of September 30, 2026 and 2025, right-to-use leases were comprised of the following:

(Dollars in Thousands)

RIGHT-TO-USE LEASE ITEMS	2026	2025
Right-to-Use Lease Assets	$ 457,164	$ 344,150
Accumulated Amortization	(152,056)	(92,784)
Net Right-to-Use Lease Assets	**$ 305,108**	**$ 251,366**
Lease Amortization Expense	$ 60,602	$ 51,584
Interest Expense	12,338	12,044
Total Annual Lease Expense	**$ 72,940**	**$ 63,628**
Variable Lease Expense	**$ 21**	**$ 42**

As of September 30, 2026, DOT's future payments due on right-to-use lease liabilities were:

(Dollars in Thousands)

FISCAL YEAR FUTURE PAYMENTS DUE	PRINCIPAL	INTEREST	TOTAL
2027	$ 55,093	$ 1,421	$ 56,514
2028	54,174	1,199	55,373
2029	35,306	991	36,297
2030	25,978	856	26,834
2031	19,954	736	20,690
2032-2036	62,937	2,514	65,451
2037-2041	37,135	1,421	38,556
2042-2046	26,192	614	26,806
2047-2051	467	174	641
2052-2056	475	56	531
Total Future Lease Payments	**$ 317,711**	**$ 9,982**	**$ 327,693**

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 to enter into a lease of the Metropolitan Washington Airports (i.e., Ronald Reagan Washington National Airport 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. 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 The Working Families Tax Cut Act 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.

As of September 30, 2026 and 2025, right-to-use leases (as lessor) were comprised of the following:

(Dollars in Thousands)

RIGHT-TO-USE LEASE ITEMS	2026	2025
Amortization of Unearned Lease Revenue	$ 4,313	$ 2,560
Variable Lease Revenue	255	448
Interest Revenue	14,046	8,294
Total Annual Lease Revenue	**$ 18,614**	**$ 11,302**

Note 19. 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 payouts, 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, 2026 and 2025, DOT's contingent liabilities, in excess of amounts accrued (Note 17), for asserted and pending legal claims are as follows:

(Dollars in Thousands)

LEGAL CONTINGENCIES	2026 ACCRUED LIABILITIES	2026 ESTIMATED RANGE OF LOSS/ LOWER END	2026 ESTIMATED RANGE OF LOSS/ UPPER END	2025 ACCRUED LIABILITIES	2025 ESTIMATED RANGE OF LOSS/ LOWER END	2025 ESTIMATED RANGE OF LOSS/ UPPER END
Probable	$ 141,663	141,663	141,808	$ 15,527	15,288	378,162
Reasonably Possible	-	3,038,875	3,048,793	-	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 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, 2026 and September 30, 2025, FHWA has up to $91.9 billion and $85.5 billion, respectively, of advanced construction authorizations that could be converted to Federal obligations, subject to the availability of funds. These authorizations have not been recognized in the DOT consolidated financial statements at September 30, 2026 and 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 (FAST) Act § 3005(b)(2), and similar provisions in earlier surface transportation acts. The FFGAs authorize transit authorities to incur costs with their own funds in advance of Federal funds being made available. As of September 30, 2026 and September 30, 2025, FTA had funding commitments in FFGAs totaling $7.30 billion and $8.78 billion, respectively, which had not been obligated. FTA includes information about these commitments in its budget submissions and annual funding recommendations report to Congress. There is no liability related to these commitments reflected in the DOT consolidated financial statements at September 30, 2026.

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. The FAA records an obligation when a grant is awarded. As of September 30, 2026 and 2025, FAA has open letters of intent extending through FY 2034 with $473 million and $432 million unobligated, respectively.

Environmental Liabilities

As of September 30, 2026, 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.

(Dollars in Thousands)

ENVIRONMENTAL CONTINGENCIES	2026 ACCRUED LIABILITIES	2026 ESTIMATED RANGE OF LOSS/ LOWER END	2026 ESTIMATED RANGE OF LOSS/ UPPER END	2025 ACCRUED LIABILITIES	2025 ESTIMATED RANGE OF LOSS/ LOWER END	2025 ESTIMATED RANGE OF LOSS/ UPPER END
Probable	$ 955,862	955,862	955,862	$ 953,393	953,393	953,393
Reasonably Possible	-	147,483	147,483	-	149,862	149,862

See Note 15 for additional information on environmental liabilities.

Aviation Insurance Program

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

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

Marine War Risk Insurance Program

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

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.

Additional commitments are discussed in Note 6-Loan Receivable, Net and Loan Guarantee Liabilities, Non-Federal Borrowers, and Note 18-Leases.

Note 20. 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 (SAFETEA-LU) legislation (P.L. 109-59) changed the way FTA programs are funded. Beginning in FY 2006, the FTA formula and bus grant programs are funded 100 percent by the HTF.

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

OTHER DEDICATED COLLECTIONS

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

For the period ended September 30, 2026 and 2025, respectively, funds from dedicated collections are summarized in the following charts. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity. Similarly, the combined presentation does not eliminate intra-entity balances or transactions with non-dedicated collections. In addition, this note presents only the funds from dedicated collections that are financing sources available for future expenses, and funds that have been expended but have not yet achieved their designated purpose, such as construction in progress. As such, PP&E that has been placed in service, that was funded from dedicated collections, are excluded from this note; these funds are no longer available for future expenditure and have been used for their intended purpose.

Balance Sheet as of September 30, 2026 *(Dollars in Thousands)*

FINANCIAL STATEMENT ITEMS	HTF	AATF	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS (COMBINED)	ELIMINATIONS BETWEEN DEDICATED COLLECTION FUNDS	FY 2026 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
Assets							
Intragovernmental							
Fund Balance With Treasury	$ 6,902,104	$ 1,653,312	$ 13,112	$ 5,581,388	$ 14,149,916	$ -	$ 14,149,916
Investments, Net	43,997,405	22,361,704	-	1,626,691	67,985,800	-	67,985,800
Accounts Receivable, Net	119,408,400	-	-	7,115,173	126,523,573	(126,491,917)	31,656
Advances and Prepayments	277,168	-	-	277,820	554,988	(35,996)	518,992
Total Intragovernmental Assets	**170,585,077**	**24,015,016**	**13,112**	**14,601,072**	**209,214,277**	**(126,527,913)**	**82,686,364**
Other than Intragovernmental							
Accounts Receivable, Net	35,052	-	-	34,955	70,007	-	70,007
Property, Plant & Equipment, Net	464,901	-	-	3,077,807	3,542,708	-	3,542,708
Advances and Prepayments	762	-	-	3,301	4,063	-	4,063
Total Other than Intragovernmental	**500,715**	**-**	**-**	**3,116,063**	**3,616,778**	**-**	**3,616,778**
Total Assets	**$ 171,085,792**	**$ 24,015,016**	**$ 13,112**	**$ 17,717,135**	**$ 212,831,055**	**$ (126,527,913)**	**$ 86,303,142**
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	$ 120,839,999	$ 7,088,830	$ -	$ 71,441	$ 128,000,270	$ (126,491,917)	$ 1,508,353
Advances from Others and Deferred Revenue	454,778	-	-	24,269	479,047	(35,996)	443,051
Other Liabilities	10,715	-	-	239,777	250,492		250,492
Total Intragovernmental Liabilities	**121,305,492**	**7,088,830**	**-**	**335,487**	**128,729,809**	**(126,527,913)**	**2,201,896**
Other than Intragovernmental							
Accounts Payable	44,665	-	-	510,548	555,213	-	555,213
Federal Employee Salary, Leave and Benefits Payable	63,721	-	-	823,835	887,556	-	887,556
Post Employment Benefits Payable	11,295	-	-	532,893	544,188	-	544,188
Advances from Others and Deferred Revenue	175,627	-	-	166,202	341,829	-	341,829
Accrued Grant Liabilities	11,121,177	-	-	1,270,201	12,391,378	-	12,391,378
Other Liabilities	22,147	-	1,443	219,428	243,018	-	243,018
Total Other than Intragovernmental Liabilities	11,438,632	-	1,443	3,523,107	14,963,182	-	14,963,182
Total Liabilities	**132,744,124**	**7,088,830**	**1,443**	**3,858,594**	**143,692,991**	**(126,527,913)**	**17,165,078**
Unexpended Appropriations	-	-	550	1,107,618	1,108,168	-	1,108,168
Cumulative Results of Operations	38,341,668	16,926,186	11,119	12,750,923	68,029,896	-	68,029,896
Total Liabilities and Net Position	**$ 171,085,792**	**$ 24,015,016**	**$ 13,112**	**$ 17,717,135**	**$ 212,831,055**	**$ (126,527,913)**	**$ 86,303,142**

Statement of Net Cost for the period ended September 30, 2026 *(Dollars in Thousands)*

FINANCIAL STATEMENT ITEMS	HTF	AATF	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS (COMBINED)	ELIMINATIONS BETWEEN DEDICATED COLLECTION FUNDS	FY 2026 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
Program Costs	$ 76,832,395	$ 1	$ (2)	$ 21,207,244	$ 98,039,638	$ (16,605)	$ 98,023,033
Less Earned Revenue	209,601	9	-	727,900	937,510	(16,605)	920,905
Net Program Costs	**76,622,794**	**(8)**	**(2)**	**20,479,344**	**97,102,128**	**-**	**97,102,128**
Net Cost of Operations	**$ 76,622,794**	**$ (8)**	**$ (2)**	**$ 20,479,344**	**$ 97,102,128**	**$ -**	**$ 97,102,128**

Statement of Changes in Net Position for the period ended September 30, 2026 *(Dollars in Thousands)*

FINANCIAL STATEMENT ITEMS	HTF	AATF	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS (COMBINED)	ELIMINATIONS BETWEEN DEDICATED COLLECTION FUNDS	FY 2026 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
Unexpended Appropriations							
Beginning Balance	$ -	$ -	$ 550	$ 1,100,674	$ 1,101,224	$ -	$ 1,101,224
Appropriations Received	-	-	-	809,400	809,400	-	809,400
Other Adjustments	-	-	-	(19,630)	(19,630)	-	(19,630)
Appropriations Used	-	-	-	(782,826)	(782,826)	-	(782,826)
Total Unexpended Appropriations	**-**	**-**	**550**	**1,107,618**	**1,108,168**	**-**	**1,108,168**
Cumulative Results of Operations							
Beginning Balance	63,537,093	14,402,242	11,117	11,556,963	89,507,415	-	89,507,415
Changes in Accounting Principles	-	-	-	(734)	(734)	-	(734)
Beginning Balance, as adjusted	63,537,093	14,402,242	11,117	11,556,229	89,506,681	-	89,506,681
Other Adjustments	-	-	-	(34,064)	(34,064)	-	(34,064)
Appropriations Used	-	-	-	782,826	782,826	-	782,826
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Receipts	53,981	-	-	3,967	57,948	-	57,948
Intragovernmental Non-Exchange Revenue	50,911,982	24,368,173	-	-	75,280,155	-	75,280,155
Donations and Forfeitures of cash/cash equivalents and Property	62	-	-	633	695	-	695
Transfers in/out without reimbursement	578,128	(21,844,237)	-	19,915,434	(1,350,675)	-	(1,350,675)
Imputed Financing	62,919	-	-	1,005,244	1,068,163	-	1,068,163
Other	(179,703)	-	-	(2)	(179,705)	-	(179,705)
Net Cost of Operations	76,622,794	(8)	(2)	20,479,344	97,102,128	-	97,102,128
Net Change in Cumulative Results of Operations	(25,195,425)	2,523,944	2	1,194,694	(21,476,785)	-	(21,476,785)
Cumulative Results of Operations: Ending	38,341,668	16,926,186	11,119	12,750,923	68,029,896	-	68,029,896
Net Position, End of Period	**$ 38,341,668**	**$ 16,926,186**	**$ 11,669**	**$ 13,858,541**	**$ 69,138,064**	**$ -**	**$ 69,138,064**

Balance Sheet as of September 30, 2025 *(Dollars in Thousands)*

FINANCIAL STATEMENT ITEMS	HTF	AATF	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS (COMBINED)	ELIMINATIONS BETWEEN DEDICATED COLLECTION FUNDS	FY 2025 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
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
Advances from Others and Deferred Revenue	9,907,397	-	-	963,888	10,871,285	-	10,871,285
Accrued Grant Liabilities	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**
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 *(Dollars in Thousands)*

FINANCIAL STATEMENT ITEMS	HTF	AATF	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS (COMBINED)	ELIMINATIONS BETWEEN DEDICATED COLLECTION FUNDS	FY 2025 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
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**
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 *(Dollars in Thousands)*

FINANCIAL STATEMENT ITEMS	HTF	AATF	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS (COMBINED)	ELIMINATIONS BETWEEN DEDICATED COLLECTION FUNDS	FY 2025 TOTAL FUNDS FROM DEDICATED COLLECTIONS (CONSOLIDATED)
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
Changes in Accounting Principles	-	-	-	-	-	-	-
Beginning Balance, as adjusted	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 Taxes and 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
Donations and Forfeitures of cash/cash equivalents and Property	-	-	-	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)
Total Cumulative Results of Operations	**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 21. 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 2026, the DOT financial statements include actual excise tax revenue certified through December 31, 2025, and excise tax revenue allocated by OTA for the quarters ended September 30, 2026. As a result, total taxes recognized in the DOT FY 2026 financial statements include the OTA allocation of $53.4 billion for the quarters ended March 31, 2026, June 30, 2026 and September 30, 2026 and the actual amounts certified through December 31, 2025 of $14.7 billion.

For the years ended September 30, 2026 and 2025, respectively, excise taxes and associated nonexchange revenue, which are reported on the Consolidated Statements of Changes in Net Position, are as follows.

(Dollars in Thousands)

NONEXCHANGE REVENUE	SEPTEMBER 30, 2026	SEPTEMBER 30, 2025
HTF		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	$ 29,241,574	$ 26,377,080
Diesel and Special Motor Fuels	13,050,833	11,853,693
Trucks	8,029,714	7,206,627
Investment Income	2,245,010	3,922,675
Fines and Penalties	204	928
Total Taxes	**52,567,335**	**49,361,003**
Less: Transfers	(1,656,867)	(1,746,498)
Other Nonexchange Revenue	10,556	71,655
Net HTF Excise Taxes & Other Nonexchange Revenue	**50,921,024**	**47,686,160**
FAA		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	$ 16,351,086	$ 15,914,715
International Departure	5,894,317	5,636,011
Fuel (Air)	787,031	928,592
Waybill	667,604	641,705
Investment Income	668,135	539,492
Tax Refunds and Credits	-	(2,610)
Other	3,967	4,236
Net FAA Excise Taxes & Other Nonexchange Revenue	**24,372,140**	**23,662,141**
Other Miscellaneous Net Nonexchange Revenue	66,024	56,414
Total Nonexchange Revenue	**$ 75,359,188**	**$ 71,404,715**

Note 22. 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	SEPTEMBER 30, 2026	SEPTEMBER 30, 2025
Unobligated Balance brought forward, October 1	$ 153,925,280	$ 140,880,391
Adjustments to Unobligated Balance brought forward, October 1	(17,819)	-
Recoveries of prior year obligations	2,632,340	5,466,335
Other Adjustments to Unobligated Balance brought forward, October 1	(486,266)	(422,617)
Unobligated Balance from prior year budget authority, net	**$ 156,053,535**	**$ 145,924,109**

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

DOT had $4.2 billion and $7.1 billion in borrowing authority in FY 2026 and FY 2025, respectively. Borrowing authority is indefinite and authorized under the FCRA, and is used to finance obligations during the current year, as needed. Under the provisions of the FCRA, DOT's direct loan and loan guarantee programs are authorized to borrow funds from Treasury to support its credit programs. All loan drawdowns are dated October 1 of the applicable fiscal year. Interest is payable at the end of each fiscal year based on activity for that fiscal year. Principal can be repaid at any time funds become available. Repayment is effectuated by a combination of loan recoveries and upward reestimates.

(Dollars in Thousands)

AVAILABLE CONTRACT AUTHORITY	2026	2025
Available Contract Authority at Year-End	$ 26,411,236	$ 25,985,844

(Dollars in Thousands)

UNDELIVERED ORDERS	2026 FEDERAL	2026 NONFEDERAL	2025 FEDERAL	2025 NONFEDERAL
Undelivered Orders at Year-End, unpaid	$ 1,417,643	$ 237,468,789	$ 1,247,193	$ 213,115,210
Undelivered Orders at Year-End, paid	$ 980,908	$ 925,618	$ 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, the FCRA. This funding is available for reestimates and interest on reestimates. DOT's credit programs are explained in detail in Note 6.

Legal Arrangements Affecting the Use of Obligated Balances

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

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

Apportionment Available in Subsequent Periods

As of September 30, 2026, DOT has $11.2 billion in unobligated balances that were apportioned for future years (Category C) in FY 2026. This amount is primarily comprised of $5.96 billion in FAA OBBBA funding, also known as the Working Families Tax Cuts Act and $5.24 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 2026. 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 website. 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 the DOT. The actual amounts for FY 2026 will be presented in the FY 2028 Budget, which occurs after the issuance of these financial statements. OMB is expected to publish this information early in CY 2027.

Note 23. Custodial Activity

Cash collections that are "custodial" are not revenue to the DOT, but are collected on behalf of other Federal entities or funds. Custodial collections are considered to be incidental to the DOT's operations. The following table presents custodial collections and the disposition of those collections for the years ended September 30, 2026 and 2025:

REVENUE ACTIVITY

(Dollars in Thousands)

REVENUE ACTIVITY	2026	2025
Sources of Cash Collections		
Miscellaneous Receipts	$ 240,412	$ 283,551
User Fees	334	410
Fines, Penalties and Forfeitures	43,156	128,624
Total Cash Collections	**283,902**	**412,585**
Accrual Adjustment	(45,134)	22,857
Total Custodial Revenue	**238,768**	**435,442**
Disposition of Collections		
Transferred to Treasury's General Fund	278,058	336,283
Transferred to HTF	5,844	76,302
Increase (Decrease) in Amounts to be Transferred	(45,134)	22,857
Net Custodial Activity	$ -	$ -

Note 24. 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.

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, 2026 *(Dollars in Thousands)*

RECONCILIATION ITEMS	INTRAGOVERNMENTAL	WITH THE PUBLIC	TOTAL
Net Operating Cost	**$ 4,551,083**	**$ 125,726,856**	**$ 130,277,939**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
PP&E depreciation expense	-	(1,326,110)	(1,326,110)
PP&E disposals and revaluations	-	(566,252)	(566,252)
Right-to-use lease asset amortization expense	-	(60,602)	(60,602)
Gains/Losses on lease cancellations	-	(143)	(143)
Cost of goods sold	(1,199)	(80,994)	(82,193)
Inventory disposals and revaluations	-	23,436	23,436
Year-end credit reform subsidy re-estimates	219,522	-	219,522

RECONCILIATION ITEMS	INTRAGOVERNMENTAL	WITH THE PUBLIC	TOTAL
Increase/(decrease) in assets			
Accounts receivable, net	(104,550)	(24,973)	(129,523)
Investments, Net	(328)	-	(328)
Advances and Prepayments	(22,082)	(281,100)	(303,182)
(Increase)/decrease in liabilities			
Accounts payable	(781,657)	(127,057)	(908,714)
Environmental and disposal liabilities	-	(2,468)	(2,468)
Federal employee, salary, leave and benefits payable	-	158,189	158,189
Post employment benefits payable	-	1,445	1,445
Advances from Others and Deferred Credits	(1,767,605)	(21,660)	(1,789,265)
Other Liabilities			
Grant Accrual	-	(2,700,961)	(2,700,961)
Lease Liability	-	58,366	58,366
Other Liabilities	73,522	(125,484)	(51,962)
Financing Sources			
Imputed Costs	(1,351,698)	-	(1,351,698)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(3,736,075)**	**(5,076,368)**	**(8,812,443)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	65,918	2,979,456	3,045,374
Acquisition of inventory	-	158,351	158,351
Effect of prior year credit reform subsidy re-estimates	(733,979)	-	(733,979)
Financing Sources			
Donated Revenue	-	(633)	(633)
Transfers out (in) without reimbursements	(207,159)	-	(207,159)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**(875,220)**	**3,137,174**	**2,261,954**
Miscellaneous Items			
FCRA Net Cost Impact	(948,276)	932,113	(16,163)
Custodial/Non-exchange Revenue	(439)	(89,715)	(90,154)
Custodial Exchange Revenue	170,045	(231,429)	(61,384)
Non-Entity Activity	(74,686)	11,276	(63,410)
Appropriated Receipts for Trust/Special Funds	741,495	-	741,495
Total Other Reconciling Items	**(111,861)**	**622,245**	**510,384**
Total Net Outlays	**$ (172,073)**	**$ 124,409,907**	**$ 124,237,834**
Outlays, net (SBR 4190)			**125,792,786**
Distributed offsetting receipts (SBR 4200)			**(1,554,952)**
Budgetary Agency Outlays, net (SBR 4210)			**$ 124,237,834**

For year ended September 30, 2025 *(Dollars in Thousands)*

RECONCILIATION ITEMS	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			
PP&E depreciation expense	-	(1,304,094)	(1,304,094)
PP&E 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			
Grant Accrual	-	(917,269)	(917,269)
Lease Liability	-	49,122	49,122
Other Liabilities	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)**
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**

RECONCILIATION ITEMS	INTRAGOVERNMENTAL	WITH THE PUBLIC	TOTAL
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 (SBR 4190)			**128,806,173**
Distributed offsetting receipts (SBR 4200)			**(1,255,334)**
Budgetary Agency Outlays, net (SBR 4210)			**$ 127,550,839**

Note 25. Fiduciary Activities

The Title XI Escrow Fund was authorized pursuant to the Merchant Marine Act of 1936, as amended. The fund was originally established to hold guaranteed loan proceeds pending construction of MARAD-approved and financed vessels.

The Act allows the deposit of additional cash security items such as reserve funds or debt reserve funds. Individual shipowners provide funds to serve as security on MARAD-guaranteed loans. Funds deposited and invested by MARAD remain the property of individual shipowners. In the event of default, MARAD will use the escrow funds to offset the shipowners' debt to the Government.

Fund investments are limited to U.S. Government securities purchased by MARAD through the Treasury.

SCHEDULE OF FIDUCIARY ACTIVITY

For the years ended September 30, 2026 and 2025 *(Dollars in Thousands)*

BEGINNING BALANCE, CHANGES, AND ENDING BALANCE	2026	2025
Fiduciary Net Assets, Beginning of Year	$ 2,199	$ 2,167
Contributions	1,970	934
Investment Earnings	1	75
Disbursements to and on Behalf of Beneficiaries	(1,881)	(977)
Increases/(Decreases) in Fiduciary Net Assets	90	32
Fiduciary Net Assets, End of Year	**$ 2,289**	**$ 2,199**

FIDUCIARY NET ASSETS

As of September 30, 2026 and 2025 *(Dollars in Thousands)*

FIDUCIARY NET ASSET ITEMS	2026	2025
Fiduciary Fund Balance With Treasury	$ 1,345	$ 1,256
Investments in Treasury Securities	944	943
Total Fiduciary Net Assets	**$ 2,289**	**$ 2,199**

Note 26. 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, 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 improvements in earnings, which are reviewed on a regular basis (monthly/quarterly/annually) and compared with the comparable period in the prior year to show trends. Amtrak publishes annual audited financial statements and monthly unaudited performance reports. These documents are available on Amtrak's website.

The Federal Government (through DOT) owns 100 percent 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."* 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, 2026, net costs related to Amtrak grants were $5.4 billion, total budgetary outlays were $5.0 billion, and the remaining undelivered order balance for Amtrak is $26.5 billion. 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, 2026 and 2025, the remaining grant advances provided to Amtrak were $921.3 million and $1.2 billion, respectively.

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 percent and the credit risk premium, payable pro rata at each disbursement, is 5.80 percent or $142.1 million. Amtrak is required to maintain funds in

** 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)*

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, 2026, the undelivered order balance of the RRIF loan is $729.6 million. There was a disbursement of $282.7 million as of September 30, 2026. 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 27. Reclassification of Statement of Net Cost and Statement of Changes in Net Position for the 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 (USSGL) account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the DOT financial statements and the DOT reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2025 FR can be found on the Bureau of the Fiscal Service Reports, Statements & Publications website and a copy of the 2026 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 2026 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2026 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	$ 133,440,088	$ 92,921,506	$ -	$ 34,313,697	$ -	$ 127,235,203	*Non-Federal Gross Cost*
		92,921,506	-	34,313,697	-	127,235,203	*Total Non-Federal Costs*
							Intragovernmental Costs
		2,382,960	-	207,074	-	2,590,034	Benefit Program Costs
		1,068,163	-	283,535	-	1,351,698	Imputed Costs
		1,155,503	(16,605)	282,901	(744,302)	677,497	Buy/Sell Costs
		32,643	(1,191)	18,584	(24,415)	25,621	Purchase of Assets
		100	-	1,020,202	-	1,020,302	Borrowing and Other Interest Expense
		511,406	-	53,948	-	565,354	Other Expenses (w/o Reciprocals)
		(32,643)	1,191	(18,584)	24,415	(25,621)	Purchase of Assets Offset
		5,118,132	(16,605)	1,847,660	(744,302)	6,204,885	*Total Intragovernmental Costs*
Total Gross Costs	**$ 133,440,088**	**98,039,638**	**(16,605)**	**36,161,357**	**(744,302)**	**133,440,088**	***Total Reclassified Gross Costs***

FY 2026 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2026 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	3,162,149	447,959	-	1,060,388	-	1,508,347	Non-Federal Earned Revenue
							Intragovernmental Revenue
		381,595	(16,605)	1,853,232	(744,302)	1,473,920	Buy/Sell Revenue
		107,947	-	-	-	107,947	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		9	-	71,926	-	71,935	Borrowing and Other Interest Revenue
		489,551	(16,605)	1,925,158	(744,302)	1,653,802	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	**3,162,149**	**$ 937,510**	**$ (16,605)**	**$ 2,985,546**	**$ (744,302)**	**$ 3,162,149**	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 130,277,939**	**$ 97,102,128**	**$ -**	**$ 33,175,811**	**$ -**	**$ 130,277,939**	**Net Cost of Operations**
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	234,667	-	-	232,742	-	232,742	Non-Federal Earned Revenue
		-	-	1,925	-	1,925	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	**234,667**	**-**	**-**	**234,667**	**-**	**234,667**	***Total Reclassified Exchange Custodial Collections***
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(234,667)	-	-	(234,667)	-	(234,667)	Reclassified Disposition of Custodial Collections

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, 2026 *(Dollars in Thousands)*

FY 2026 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2026 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	$ 180,252,451	$ 1,101,224	$ -	$ 179,151,227	$ -	$180,252,451	Net Position, Beginning of Period
Appropriations Received	47,676,492	809,400	-	46,867,092	-	47,676,492	*Appropriations Received as Adjusted*
Appropriations Transferred In/(Out)		-	-	17,252	-	17,252	Non-Expenditure Transfers-in of Unexpended Appropriations
	(54,392)	-	-	(71,644)		(71,644)	Non-Expenditure Transfers-out of Unexpended Appropriations
Total Appropriations Transferred In/(Out)	(54,392)	-	-	(54,392)	-	*(54,392)*	*Total Reclassified Appropriations Transferred In/Out*
Other Adjustments	(2,862,525)	(19,630)	-	(2,842,895)	-	(2,862,525)	Appropriations Received as Adjusted
Appropriations Used	(33,812,293)	(782,826)	-	(33,029,467)	-	(33,812,293)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	**$ 191,199,733**	**$ 1,108,168**	**$ -**	**$ 190,091,565**	**$ -**	**$ 191,199,733**	***Total Unexpended Appropriations***
Cumulative Results of Operations							
Cumulative Results of Operations, Beginning Balance	101,944,574	89,507,415	-	12,437,159	-	101,944,574	Net Position, Beginning of Period
Changes in Accounting Principles	(103,681)	(734)	-	(102,947)	-	(103,681)	Changes in Accounting Principles*

FY 2026 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2026 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
Beginning Balance, as adjusted	101,840,893	89,506,681	-	12,334,212	-	101,840,893	Total Reclassified Beginning Balance, as adjusted
Other Adjustments	(65,795)	(34,064)	-	(31,731)	-	(65,795)	*Revenue and Other Financing Sources—Cancellations*
Appropriations Used	33,812,293	782,826	-	33,029,467	-	33,812,293	Appropriation Expended (Federal)
Non-Exchange Revenue	75,359,188						*Non-Federal Non-Exchange Revenues*
		57,948	-	21,085	-	79,033	Other Taxes and Receipts
		57,948	-	21,085	-	79,033	Total Non-Federal Non-Exchange Revenues
							Federal Non-Exchange Revenue
		2,913,145	-	-	-	2,913,145	Federal Securities Interest Revenue
		-	-	-	-	-	Borrowings and Other Interest Revenue
		5,844	-	-	-	5,844	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		(4,126)	-	-	-	(4,126)	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		72,365,292	-	-	-	72,365,292	Other Taxes and Receipts
		75,280,155	-	-	-	75,280,155	*Total Federal Non-Exchange Revenue*
Total Non-Exchange Revenue	**75,359,188**	**75,338,103**	**-**	**21,085**	**-**	**75,359,188**	***Total Reclassified Non-Exchange Revenues***

FY 2026 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2026 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
Donations and Forfeitures of Cash/Cash Equivalents	633	633	-	-	-	633	Donations and Forfeitures of Cash/ Cash Equivalents
Transfers in/(out) without reimbursement	(86,039)	119,180,782	(118,341,240)	4,616,768	(5,381,819)	74,491	Transfers-In w/o Reimbursement
		(120,531,457)	118,341,240	(3,352,132)	5,381,819	(160,530)	Transfers-Out w/o Reimbursement
		(1,350,675)	-	1,264,636	-	(86,039)	*Total Reclassified Transfers-In/Out w/o Reimbursement*
Donations and Forfeitures of Property	10,355	62	-	10,293	-	10,355	Donations and Forfeitures of Property
Imputed Financing	1,351,698	1,068,163	-	283,535	-	1,351,698	Imputed Financing Sources (Federal)
Other	(237,969)	-	-	(4,313)	-	(4,313)	Other non-budgetary financing sources for debt accruals/ amortization
		-	-	(301,551)	-	(301,551)	Non-Entity Collections Transferred to the General Fund
		-	-	67,723	-	67,723	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(179,703)	-	179,703	-	-	Borrowings and Other Interest Revenue (Non-exchange)
		(2)	-	174	-	172	Other Taxes and Receipts
Total Other	**(237,969)**	**(179,705)**	**-**	**(58,264)**	**-**	**(237,969)**	***Total Reclassified Other***
Net Cost of Operations	**130,277,939**	**97,102,128**	**-**	**33,175,811**	**-**	**130,277,939**	**Net Cost of Operations**
Ending Balance— Cumulative Results of Operations	**81,707,318**	**68,029,896**	**-**	**13,677,422**	**-**	**81,707,318**	**Net Position— Ending Balance**
Total Net Position	**$ 272,907,051**	**$ 69,138,064**	**$ -**	**$ 203,768,987**	**$ -**	**$ 272,907,051**	**Total Net Position**

FY 2026 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2026 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
FINANCIAL STATEMENT LINE	AMOUNTS	DEDICATED COLLECTIONS COMBINED	DEDICATED COLLECTIONS ELIMINATIONS	OTHER THAN DEDICATED COLLECTIONS AMOUNTS (WITH ELIMINATIONS)	ELIMINATIONS BETWEEN DEDICATED COLLECTIONS AND OTHER THAN DEDICATED COLLECTIONS	TOTAL	RECLASSIFIED FINANCIAL STATEMENT LINE
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	4,101	-	-	4,101	-	4,101	Other Taxes and Receipts
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(4,101)	-	-	(50,100)	-	(50,100)	Non-Entity Custodial Collections Transferred to the General Fund
		-	-	(5,844)	-	(5,844)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	4,105	-	4,105	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	47,738	-	47,738	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Total Disposition of Non-Exchange Custodial Collections	***$ (4,101)***	***$ -***	***$ -***	***$ (4,101)***	***$ -***	***$ (4,101)***	***Total Reclassified Disposition of Non-Exchange Custodial Collections***

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2026 *(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	$ 1,736,721	$ 1,495,241
	Unstaffed Facilities	Long range radars; unstaffed infrastructure and fuel storage tanks	2,334,807	3,035,382
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	32,108	28,085
	Buildings	Real property structure—USMMA	301,543	277,584
		Total	**$ 4,405,179**	**$ 4,836,292**

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 DM&R for staffed and unstaffed facilities that are critical to safe operations of the national 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 are 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 DM&R reports unstaffed infrastructure and fuel storage tanks facilities that have exceeded the assets' expected life expectancy. All of these facilities are capitalized general PP&E, 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 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 $48.8 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 FY 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 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 implemented a new Computerized Maintenance Management System (CMMS) to replace its original 2015 system. Full deployment of the enhanced CMMS was completed in FY 2026 in conjunction with the Campus-Wide Maintenance contract. The upgraded system has improved the responsiveness and effectiveness of maintenance operations, strengthened data collection capabilities, supported trend analysis for improved maintenance planning, and enhanced preventive maintenance of existing infrastructure.

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

To sustain mission capability, USMMA has identified approximately $175 million in prioritized deferred maintenance projects as of FY 2026, based on rough order-of-magnitude budget estimates. These projects represent the minimum maintenance and repair investment needed to maintain safe, functional, and mission-capable facilities. To address these immediate maintenance requirements, USMMA requested $50 million in Facilities Maintenance, Repair, and Equipment (FMRE) funding in the FY 2027 President's Budget. This FMRE request is separate from, and in addition to, the Campus Modernization Program (CMP) funding request. Although the CMP is expected to reduce long-term maintenance requirements through future renovation projects, those projects have not yet been funded and are not anticipated to begin for at least two to three years. Accordingly, the FMRE request addresses the near-term maintenance and repair needs necessary to sustain mission capability until CMP renovations can be implemented.

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2026 *(Dollars in Thousands)*

BUDGETARY RESOURCES	FEDERAL-AID	FAA	FTA	MARAD	ALL OTHER	TOTAL
Unobligated Balance From Prior Year Budget Authority, Net	$ 26,807,752	$ 25,519,846	$ 33,102,093	$ 3,295,133	$ 67,328,711	$ 156,053,535
Appropriations (Note 1X)	44	23,447,618	6,270,287	1,368,516	32,945,934	64,032,399
Borrowing Authority	-	-	-	2,006	4,242,826	4,244,832
Contract Authority	61,749,316	4,000,000	16,055,410	-	2,177,111	83,981,837
Spending Authority From Offsetting Collections	140,565	14,002,456	(9,400)	2,584,101	1,849,962	18,567,684
Total Budgetary Resources	**$ 88,697,677**	**$ 66,969,920**	**$ 55,418,390**	**$ 7,249,756**	**$ 108,544,544**	**$ 326,880,287**
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$ 61,117,466	$ 45,072,719	$ 21,313,896	$ 3,675,125	$ 46,886,756	$ 178,065,962
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	3,135,569	18,614,839	34,014,800	3,436,354	58,891,322	118,092,884
Unapportioned, Unexpired Accounts	24,444,642	2,981,481	113	123,670	2,096,545	29,646,451
Unexpired Unobligated Balance, End of Year	27,580,211	21,596,320	34,014,913	3,560,024	60,987,867	147,739,335
Expired Unobligated Balance, End of Year	-	300,881	89,581	14,607	669,921	1,074,990
Unobligated Balance, End of Year	**27,580,211**	**21,897,201**	**34,104,494**	**3,574,631**	**61,657,788**	**148,814,325**
Total Budgetary Resources	**$ 88,697,677**	**$ 66,969,920**	**$ 55,418,390**	**$ 7,249,756**	**$ 108,544,544**	**$ 326,880,287**
Outlays, Net	$ 56,296,114	$ 25,616,375	$ 21,068,435	$ (754,356)	$ 23,566,218	$ 125,792,786
Distributed Offsetting Receipts	(44)	(25,195)	(31,645)	(89,762)	(1,408,306)	(1,554,952)
Agency Outlays, Net	**$ 56,296,070**	**$ 25,591,180**	**$ 21,036,790**	**$ (844,118)**	**$ 22,157,912**	**$ 124,237,834**
Disbursements, Net	-	-	-	**$ 28,788**	**$ 2,167,762**	**$ 2,196,550**

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

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

BUDGETARY RESOURCES	FEDERAL-AID	FAA	FTA	MARAD	ALL OTHER	TOTAL
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 1X)	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	$ 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 2026, MARAD covered nonpremium war risk insurance with a total coverage per year of $1.2 billion 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 from the nonpremium vessel war risk insurance program. There have been no losses, and no claims are outstanding for this nonpremium insurance. There is approximately $58 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 2026 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, 2026.





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
System Requirements	No lack of compliance noted	No lack of compliance noted
Accounting Standards	No lack of compliance noted	No lack of compliance noted
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 *(Dollars in Thousands)*

NON-FEDERAL PHYSICAL PROPERTY INVESTMENTS	2026	2025
Surface Transportation		
Federal Highway Administration (FHWA)		
Federal Aid Highways	$ 63,946,717	$ 62,810,767
Other Highway Trust Fund Programs (HTF)	24,264	25,917
General Fund Programs	6,788	322
Appalachian Development System	215,871	117,756
Federal Motor Carrier	2,754	2,838
Total FHWA	**64,196,394**	**62,957,600**
Federal Transit Administration (FTA)		
Transit Infrastructure Grants	1,160,516	2,364,088
Formula Grants	(2)	1,341
Capital Investment Grants (CIGs)	2,271,110	2,598,306
Washington Metropolitan Area Transit Authority	110,553	115,241
Formula and Bus Grants	15,960,257	16,234,355
Total FTA	**19,502,434**	**21,313,331**
Total Surface Transportation Non-Federal Physical Property Investments	**$ 83,698,828**	**$ 84,270,931**
Air Transportation		
Federal Aviation Administration (FAA)		
Airport Improvement Program (AIP)	4,447,093	3,425,844
Relief for Airports	(16,313)	24,787
Airport Infrastructure Grants Program	2,597,728	2,231,633
Airport Terminal Program	1,002,542	1,231,421
Total Air Transportation Non-Federal Physical Property Investments	**8,031,050**	**6,913,685**
Total Non-Federal Physical Property Investments	**$ 91,729,878**	**$ 91,184,616**



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.

CIGs, which replaced discretionary grants in Fiscal Year (FY) 1999, provide capital assistance to finance acquisition, construction, reconstruction, and improvement of facilities and equipment. CIGs fund the categories of new starts, fixed guideway modernization, and bus and bus-related facilities.

FTA provides grants for transit-related infrastructure projects under the Transit Infrastructure Grants 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.

Since 2012, the FHWA's Traffic Incident Management (TIM) training has provided safety instructions to over 810,000 first responders.

Inspector General's FY 2027 Top Management Challenges

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 2, 2026

Subject: INFORMATION: DOT's Fiscal Year 2027 Top Management Challenges
Project No. 26P9001P000

From: Mitch Behm
Deputy Inspector General

To: The Secretary
Deputy Secretary

The Department of Transportation (DOT) strives to keep the traveling public safe and secure, move people and goods, and build infrastructure that contributes to the Nation's economic growth. The Office of Inspector General (OIG) enhances the Department's programs and operations by conducting objective investigations and audits on behalf of the American public. Our work aims to achieve a safer and more efficient national transportation system and greater integrity, transparency, and performance within DOT programs.

Each year, as required by law, we provide DOT with an independent assessment of its top management challenges to help the Department meet its strategic priorities. This report is based on our oversight work and is intended to help DOT focus attention and resources on areas that are critical to achieving the Department's goals of increasing safety, investing in infrastructure, supporting innovation, and improving efficiency.

We considered several criteria to identify the Department's top management challenges for fiscal year 2027, 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
- Information Technology Security
- Transportation Innovation



- Fraud Prevention and Financial Stewardship
- Operational Efficiency

Safety is DOT's highest priority. Our work highlights the challenges the Federal Aviation Administration (FAA) must address to prevent fatal aviation accidents and ensure the safety of the National Airspace System (NAS). Key concerns include deploying key runway safety technologies and improvements as well as enhancing analysis of aviation safety incidents. FAA must also close gaps that limit the effectiveness of Safety Management Systems (SMS), such as insufficient inspector training, limited data access, and reactive oversight practices.

DOT's safety priority also encompasses its efforts to reduce the Nation's road and rail-related fatalities and serious injuries. Despite accidents, fatalities, and injuries trending down in some surface transportation modes, the Department still faces significant challenges. For example, DOT must make data driven decisions to enhance road and rail safety, reduce large truck and bus crashes through commercial driver's license (CDL) oversight, and expand efforts to protect transportation workers and address truck parking shortages.

FAA's efforts to modernize air traffic control (ATC) and the Nation's air space is another challenge area. The Department must maximize controller staffing and strengthen training procedures to improve NAS safety while keeping modernization initiatives on track. These include the $12.5 billion investment in the Brand New Air Traffic Control System (BNATCS) to modernize the air traffic control system. BNATCS priorities include updating telecommunication wires, aging radars, and displays for controllers.

DOT also faces continuing challenges overseeing billions of dollars in surface transportation infrastructure investments, including substantial costs to repair or replace infrastructure. For instance, as the Infrastructure Investment and Jobs Act's 5-year authorization sunsets in 2026, more than half of its funds remain undisbursed. Additionally, DOT must respond to potential programmatic changes under the next surface transportation funding authorization that impact surface transportation-related grant programs. Moreover, the Department's oversight capacity is limited by staffing constraints and risks associated with potential bid rigging and collusion in the Federal-aid Highway Program.

Further, as the transportation sector's reliance on technology advances, DOT continues to encounter persistent cybersecurity challenges. While the Department has taken steps to strengthen oversight of IT infrastructure and update required controls, DOT's cybersecurity progress remains uneven. The Department has inconsistent security practices, a backlog of cybersecurity weaknesses, and vulnerabilities that hinder DOT's ability to protect its high impact systems from cyberattacks.

DOT has also committed to supporting innovation in the national transportation system.

Inspector General's FY 2027 Top Management Challenges (cont.)

The Department must focus on challenges such as the rapid growth of commercial space operations, safe integration of drones and advanced air mobility aircraft into the NAS, and strategies for safely expanding vehicle automation and driver assistance technologies. These transportation innovations need robust safety measures, regulatory frameworks, and industry collaboration to manage associated risks and ensure public trust.

Throughout DOT's many areas of responsibility, fraud prevention and sound financial stewardship remain critical challenges. One top focus area is addressing fraud risks that impact motor carrier safety, such as fraudulent CDLs and prohibited carriers operating under false identities. Furthermore, DOT obligated more than $140 billion in grant and contract funds in fiscal year 2025. Yet, the Department still had weaknesses in administering grants and contracts, such as making reasonable pricing determinations, maximizing competitive procurement practices, and evaluating applicant qualifications and project plans.

Finally, DOT is undertaking significant organizational changes as part of its 1DOT initiative to streamline processes, consolidate administrative functions and facilities, enhance program delivery, and invest in IT updates. Implementing these changes will require addressing challenges as the Department works to achieve its goals of improving operations and delivering better results faster and with greater accountability.

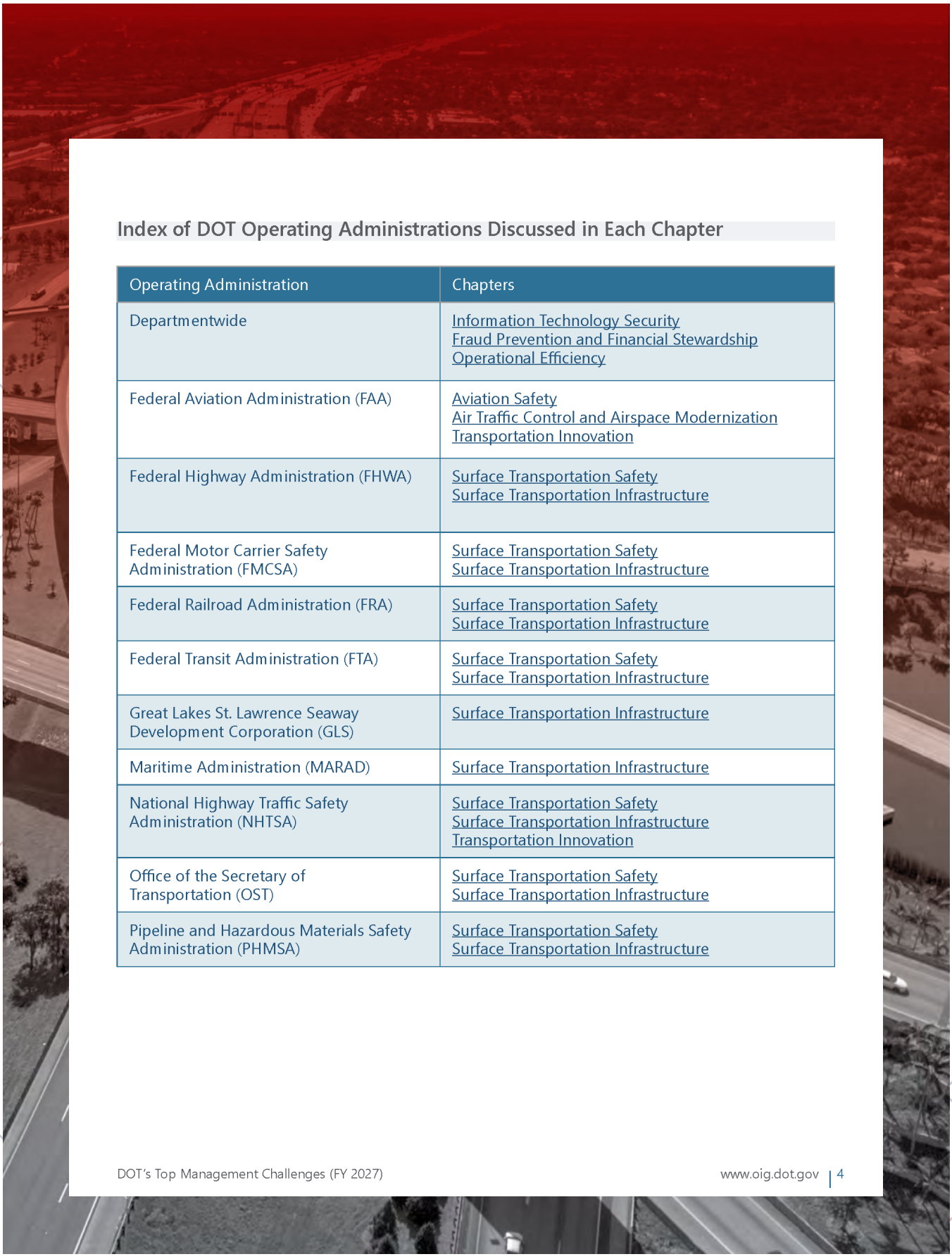
Along with these top management challenges, we note that DOT is simultaneously navigating an increase in the use of super intelligence (SI)[1] within the Department's activities and throughout the transportation sector. Accordingly, in some chapters, we have included SI-related considerations affecting that challenge area. In other chapters, in alignment with the Department's overall focus on detecting and preventing fraud, waste, and abuse, we highlight examples of our office's recent investigative work relevant to DOT's strategic goals and priorities.

As always, we will continue to work closely with DOT officials to support the Department's efforts to improve safety, optimize efficiency, and advance transportation innovation. We appreciate DOT's continued commitment to promptly addressing 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 Nelda Z. Smith, Principal Assistant Inspector General for Auditing and Evaluation.

cc: DOT Audit Liaison, M-1

[1] Per the September 29, 2026, *Executive Order 14434: Inaugurating the Era of Super Intelligence*, the terms "super intelligence" and "SI" mean the technologies and systems encompassed by the term "artificial intelligence" as defined in 15 U.S. Code § 9401(3).



Index of DOT Operating Administrations Discussed in Each Chapter

Operating Administration	Chapters
Departmentwide	Information Technology Security Fraud Prevention and Financial Stewardship Operational Efficiency
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 Surface Transportation Infrastructure
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)	Surface Transportation Infrastructure
Maritime Administration (MARAD)	Surface Transportation Infrastructure
National Highway Traffic Safety Administration (NHTSA)	Surface Transportation Safety Surface Transportation Infrastructure Transportation Innovation
Office of the Secretary of Transportation (OST)	Surface Transportation Safety Surface Transportation Infrastructure
Pipeline and Hazardous Materials Safety Administration (PHMSA)	Surface Transportation Safety Surface Transportation Infrastructure

Inspector General's FY 2027 Top Management Challenges (cont.)

Aviation Safety

OAs Impacted: FAA

Related DOT Strategic Goal(s): Safety, Innovation, Infrastructure, and Efficiency

A series of recent aviation accidents and incidents—including a fatal collision at a major airport—has highlighted the challenges FAA faces in overseeing safety across the National Airspace System (NAS). To overcome these challenges, FAA must address deficiencies in the Agency's ability to anticipate, mitigate, and manage future hazards. FAA must strengthen its oversight practices, leverage Safety Management Systems (SMS) more effectively, and address organizational shortcomings to ensure robust and proactive aviation safety.

Maintain NAS Safety Given Recent Aviation Accidents and Incidents

- Since the beginning of 2026, several high-profile incidents have underscored FAA's need for continued vigilance to ensure the safety of the NAS. Most notably, in March, an Air Canada regional jet collided with an aircraft rescue firefighting vehicle while landing at LaGuardia Airport, resulting in two fatalities.
- These incidents are reminiscent of the string of serious runway incursions that occurred as air traffic increased after the COVID-19 pandemic. While FAA took immediate actions in response to these incursions—such as holding a safety summit with aviation stakeholders in March 2023 and forming a safety review team that examined and made recommendations regarding the U.S. aerospace system's structure, processes, and systems—the Agency continues to face challenges fully implementing several important safety initiatives we identified in our March 2025 report on this topic. These initiatives include FAA deploying key runway safety technologies and improvements when sharing data between FAA organizations as well as enhancing the Agency's analysis of safety incidents. Until FAA implements these initiatives, it will continue to face challenges reducing the risk of incursions and improving runway safety at airports across the Nation.

Aftermath of an Air Canada Jet and Firefighting Vehicle Collision at LaGuardia Airport



Source: NTSB

Related Investigative Work

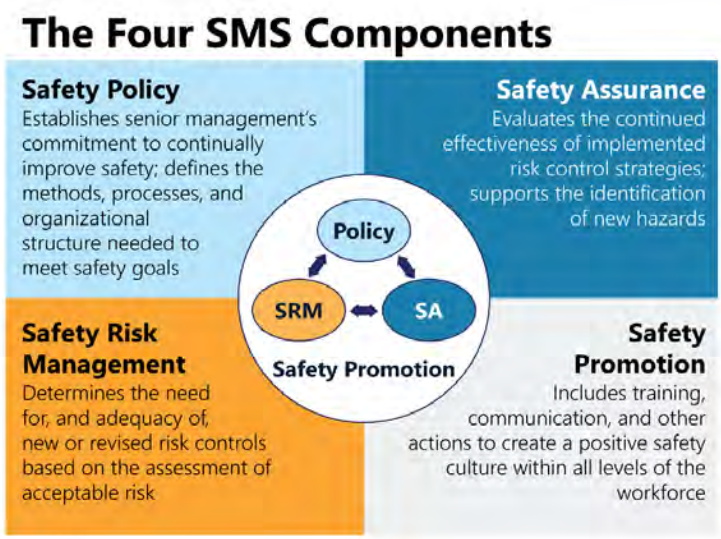
OIG investigates crimes that affect aviation safety, including unlicensed pilots, falsified airman's logs, aircraft parts fraud, violations of DOT safety regulations and statutes, interstate transportation of stolen aircraft equipment, illegal drone operations, and smuggling of contraband into prisons. For example:

- An unlicensed pilot and former flight school owner were sentenced for a fatal plane crash, aviation fraud, and obstruction. The pilot was sentenced to 78 months in prison and 36 months of supervised release and was barred from working in aviation. The owner was sentenced to 30 months in prison and 36 months of supervised release; he also surrendered his pilot certificate.
- A South Carolina man was sentenced to 33 months of incarceration, 36 months of supervised release, and $33,279 in restitution for aircraft part quality fraud.
- A Florida pilot was sentenced to 10 years in prison and $1,180,351 in restitution for stealing more than a million dollars of aircraft equipment from over 40 airports then selling it online.

Leverage Safety Management Systems in Oversight of Aviation Safety

- FAA faces challenges anticipating and mitigating future safety risks across the aviation industry. To overcome these challenges, FAA will need to better leverage its oversight of SMS (see figure)—a proactive approach to identifying and analyzing potential hazards and mitigating risk to an acceptable level—by closing gaps previously identified by our office and others. These gaps include insufficient inspector training, limited access to SMS data, reactive oversight practices, and weaknesses in organizational safety culture. By responding to these issues, FAA can build a more robust, risk-based, and proactive oversight model.
- Recent aviation accidents underscore the importance of addressing these challenges. On January 29, 2025, a U.S. Army Black Hawk helicopter collided with American Airlines flight 5342 near Ronald Reagan Washington National Airport, killing all 67 passengers and crew aboard. NTSB's investigation found gaps in the FAA Air Traffic Organization's SMS—including failure to identify and mitigate known airspace risks, poor coordination with stakeholders, and a weak safety culture—contributed to the accident. We have initiated an audit to assess FAA's SMS functions and organizational safety culture across air traffic control facilities, including collaboration with external stakeholders.

FAA's SMS Components



Source: FAA.

Recent Progress Reported by the Department

- As of July 1, 2026, FAA closed 2 of our 3 open recommendations to improve SMS oversight. The first recommended FAA establish a management control to ensure inspectors require air carriers to submit written root cause analyses that do not cite human factors as root causes. The second recommended FAA implement guidance for evaluating air carrier safety risk assessments to ensure they included a comprehensive analysis, identified root causes, and established appropriate corrective actions.

Related OIG Work

- FAA's Oversight of United Airlines' Maintenance Practices Is Hindered by Inadequate Inspection Resources, Ineffective Workforce Planning, and Impediments to Accessing Air Carrier Data (February 18, 2026)
  - >> 6 recommendations (6 open, 0 closed)
- FAA Has Taken Steps To Prevent and Mitigate Runway Incursions, but Work Remains To Improve Data Analytics and Implement Key Initiatives (March 12, 2025)
  - >> 5 recommendations (5 open, 0 closed)
- FAA's Oversight Processes for Identifying and Resolving Boeing Production Issues Are Not Effective (October 9, 2024)
  - >> 16 recommendations (6 open, 10 closed)

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

Marshall Jackson
Assistant Inspector General for Aviation Audits
Marshall.Jackson@oig.dot.gov

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

Inspector General's FY 2027 Top Management Challenges (cont.)

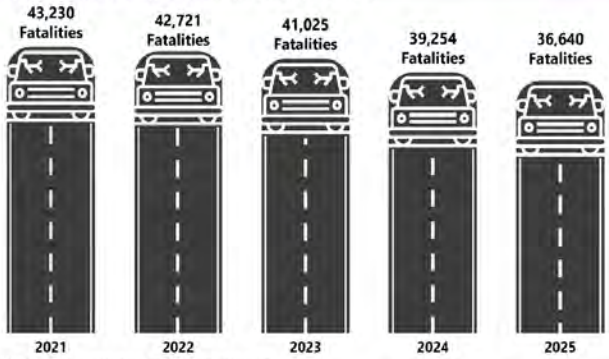
Surface Transportation Safety

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

Related DOT Strategic Goal(s): *Safety*

DOT is committed to maintaining the safety of the Nation's transportation system and reducing surface transportation related fatalities and serious injuries. Accidents, fatalities, and injuries are trending down in some transportation modes. For example, since reporting 43,230 motor vehicle traffic fatalities in 2021, NHTSA has reported declining fatalities each year. In 2025, NHTSA reported a statistical projection estimate of 36,640 motor vehicle traffic fatalities, a nearly 16-percent reduction from 2021. Still, DOT faces challenges in making data-driven decisions to further reduce fatalities and injuries and expand efforts to protect transportation workers.

Motor Vehicle Traffic Fatalities From CY 2021–2025



Note: 2025 data is a statisical projection estimate.
Source: DOT.

Make Data-Driven Decisions To Reduce Fatalities and Injuries on the Nation's Roads and Rails

- DOT continues to face challenges making data-driven decisions to reduce fatalities and injuries. Regarding railway safety, the rate of train accidents, not at highway-rail crossings, per million train miles fell from approximately 3.3 in 2023 to 2.6 in 2025 according to FRA data as of April 30, 2026. FRA's April 2026 data also show that human factor-caused accidents fell from 874 in 2023 to 606 in 2025. However, FRA can improve data accessibility and quality to inform safety oversight decisions. The Agency is advancing its data systems and has implemented most of our related recommendations but will be challenged to complete these projects timely and implement controls that strengthen data continuity and quality. For example, FRA released its modernized internal data system, Secure Safety Date Website, on October 9, 2026, but is still addressing our May 2025 recommendation to develop, document, and implement its on-demand reporting and quality assurance controls but has yet to deploy the system.

- Reducing large truck and bus crashes is a challenge for FMCSA as an average of 182,774 large trucks and buses crashed each calendar year from 2023 to 2025. In 2026, DOT worked with the Commercial Vehicle Safety Alliance to propose updates to FMCSA regulations regarding drivers who cannot demonstrate English language proficiency as required. However, Senators Maria Cantwell and Ed Markey sent a letter to FMCSA in July 2026, stating that it is impossible for the Agency to properly target enforcement on unsafe companies without accurate and complete data. We have an ongoing audit assessing FMCSA's oversight of States' CDL program compliance with regulatory requirements related to CDL knowledge and skills tests.

Related Investigative Work

OIG investigates surface transportation-related safety violations and fraud such as illegal movement of hazardous materials and contract fraud. For example:

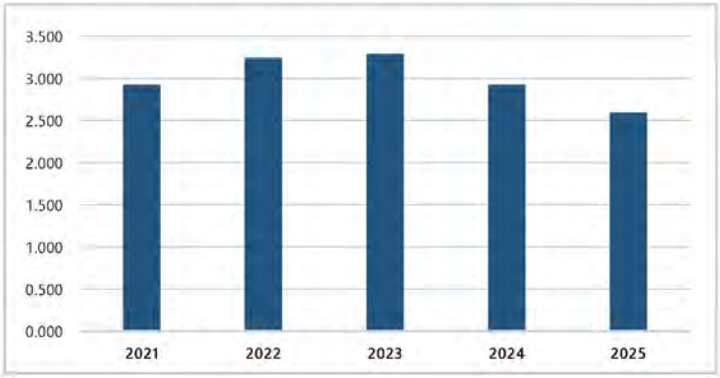
- A Houston individual transported over 119 gallons of diesel fuel, a hazardous material, without the required CDL; DOT hazmat vehicle placards; and hazmat endorsement on a license, vehicle insurance, or vehicle registration. Accordingly, the individual was sentenced to 5 years of probation and a $100 special assessment.

- Two former officers of an Ohio paint-striping company put the driving public at risk when they under-applied paint to roadways and falsely informed authorities that the application complied with contractual requirements. The officers also manipulated reports and attached physical manipulation devices to trucks. As a result, FHWA debarred the officers until October 2026.

Expand Efforts To Protect Transportation Workers and Address Truck Parking Shortages

- DOT faces challenges in expanding worker protection programs. In October 2024, FTA published the rail transit roadway worker protection regulation, which establishes minimum standards to ensure public transportation systems operate safely and prevent workers' injuries and fatalities. FTA oversees rail transit system safety through State Safety Oversight Agencies (SSOAs). In 2025, we found FTA could enhance its oversight of these SSOAs through communication, audit process, and data management improvements. DOT officials have implemented improvements to address four of our five recommendations and are taking steps to close the remaining recommendation. When complete, these actions will further strengthen the Department's oversight of SSOAs.
- Commercial motor vehicle parking shortages are another challenge for DOT. It is essential that truck operators have ample parking facilities to rest and avoid driving while fatigued in compliance with hours-of-service regulations. In June 2025, FHWA and FMCSA issued a memorandum providing information on parking project funding eligibility, highlighting new requirements for parking assessments, and reaffirming DOT's commitment to helping States improve parking. To further address truck parking shortages, DOT must evaluate States' plans for moving freight to ensure they meet requirements and oversee grant funds to ensure States use the money appropriately.

Rate of Train Accidents Per Million Train Miles From CY 2021–2025



Note: Data exclude train accidents at highway-rail grade crossings.
Source: OIG analysis of FRA data as of April 2026.

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Recent Progress Reported by the Department

- On May 1, 2026, the Department announced that over 28,000 illegally issued CDLs had been revoked.
- In 2025, FRA conducted over 70,000 inspections to assess compliance with safety regulations, issued more than $21 million in civil penalties, and closed approximately 3,900 cases.
- FRA is improving its Railroad Safety Information System (RSIS), deploying a public safety website, and modernizing its internal railroad safety website. FRA uses RSIS data, in part, to prioritize safety inspections.
- FTA announced the availability of $10 million to research designs and create prototypes to make buses safer for operators, riders, and road users.

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 (1 open, 4 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 (1 open, 12 closed)
- Opportunities Exist for PHMSA To Improve Procedures and Data Quality To Administer the HazMat Emergency Preparedness Fund and Grant Program More Effectively (June 23, 2025)
  >> 4 recommendations (2 open, 2 closed)

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

Inspector General's FY 2027 Top Management Challenges (cont.)

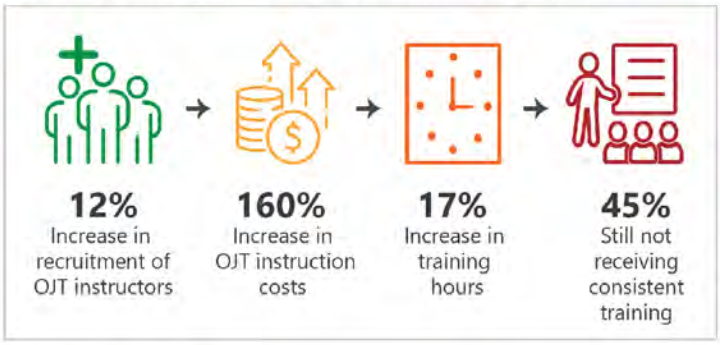
Air Traffic Control and Airspace Modernization

FAA manages 44,000 flights carrying 3 million passengers every day. Yet, the Agency faces challenges maintaining adequate staffing and training for air traffic controllers and relying on an aging and increasingly unreliable air traffic control (ATC) system. Continuing to improve controller staffing and training procedures as well as implementing planned ATC modernization initiatives will better position FAA to fulfill its mission to maintain the safest, most efficient air traffic system in the world.

OAs Impacted: FAA

Related DOT Strategic Goal(s): Safety, Infrastructure

Impact of Increased Supplemental Pay on On-The-Job Training Instruction



Source: OIG analysis of FAA data.

Maximize Controller Staffing and Strengthen Training Procedures To Improve NAS Safety

- Adequate air traffic controller staffing and training remains a challenge at the Nation's most critical facilities. Compounding this problem, FAA has not implemented a standardized tool to optimize controller scheduling and better determine staffing needs. In February 2025, the Secretary of Transportation announced a major hiring initiative, and FAA aims to hire and train nearly 8,900 controllers by 2028. However, growth in the number of certified professional controllers is hindered by high attrition rates. Increasing training throughput at the FAA Academy and improving training outcomes will be critical for the Agency to address staffing shortages that impact the NAS's safety and efficiency.
- We recently reported new air traffic controller trainees face obstacles such as limited training hours and inconsistent training despite pay incentives that helped FAA recruit more on-the-job training (OJT) instructors (see figure). Many facilities fall short of their weekly training targets due to staffing shortages and an inability to provide regular, high-quality instruction. Trainees' hands-on practice is also limited by varied access to the most effective simulation tools. Moreover, long-term impacts from the COVID-19 pandemic continue to delay controller certification timelines. FAA improving instructor preparation, expanding trainee access to simulation tools, and strengthening training routines will help them advance more efficiently toward full certification.

SI Considerations

In June 2026, as part of its ongoing Brand New Air Traffic Control System (BNATCS) effort, FAA awarded an $876 million contract to develop two complementary software technologies—Flow Management Data and Services (FMDS) and Strategic Management of Airspace, Routes, and Trajectories (SMART). These technologies will enable FAA to proactively identify potential flight delays caused by airspace congestion and solutions to mitigate them. Specifically, FMDS will integrate flight, weather, and airline scheduling data into a single integrated data source. SMART will leverage super intelligence to analyze FMDS data for potential flight delays and provide controllers with solutions to mitigate the delays days, weeks, or even months before a flight departs.

DOT's Top Management Challenges (FY 2027) www.oig.dot.gov | 9

Implement ATC Modernization Initiatives To Improve NAS Efficiency

- The One Big Beautiful Bill Act provided $12.5 billion for BNATCS, FAA's initiative to modernize the Nation's ATC infrastructure by 2028. FAA is focused on replacing copper telecommunication wires with fiber-optic, analog voice switches and radios with digital technology, aging radars with modern surveillance systems, and paper flight strips with electronic displays as part of the continued deployment of the Terminal Flight Data Manager (TFDM) program (see figure). Our previous work noted numerous challenges with implementing FAA's prior modernization effort, the Next Generation Air Transportation System, which led to schedule delays and reduced capabilities. Delays implementing BNATCS initiatives could further hinder FAA's ability to modernize the air traffic system.
- While FAA pursues BNATCS, the Agency is developing a new authoritative source for flight activity and delay data, known as Wilbur. According to FAA, Wilbur will automate the extracting, validating, and reporting of flight data from multiple sources into a single dataset. FAA also intends for Wilbur to provide reliable data nearly in real time, updating within 5 minutes of a flight's completion. However, we recently reported Wilbur's full deployment could slip from 2029 to 2032 unless there is adequate funding during fiscal years 2027 and 2028. Implementing Wilbur on time will better position FAA to assess NAS performance, identify inefficiencies timely, and take corrective action.

Legacy Paper Flight Strips Compared to TFDM's Modern Electronic Flight Data



Source: FAA.

Recent Progress Reported by the Department

- In June 2026, FAA issued its Air Traffic Controller Workforce Plan for 2026–2028 that increased the Agency's new controller hiring target from 2,028 in 2025 to 2,400 in 2028.
- Since January 2026, FAA has deployed TFDM capabilities at five airports: Miami, Washington-National, Houston-Intercontinental, Chicago-Midway, and Austin.
- FAA is making progress in deploying tower simulation systems across the NAS that the Agency expects to lower the time for a controller to fully certify by almost 30 percent.

Related OIG Work

- FAA Use of Flight Delay Data and Analyses To Monitor NAS Performance (June 24, 2026)
  >> 0 recommendations (0 open, 0 closed)
- Despite Implementing the National Training Initiative and Increasing Supplemental Pay, FAA Still Faces Challenges Meeting Air Traffic Controller On-the-Job Training Goals (June 24, 2026)
  >> 6 recommendations (6 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)
- FAA Remains Several Years Away from a Standardized Controller Scheduling Tool (November 27, 2018)
  >> 2 recommendations (2 open, 0 closed)

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Inspector General's FY 2027 Top Management Challenges (cont.)

Surface Transportation Infrastructure

DOT awards and oversees billions of dollars in surface transportation infrastructure investments that support the construction and maintenance of road, bridge, rail, transit, port, and energy system projects and programs. Significant nationwide issues, such as the substantial costs to repair or replace surface transportation infrastructure, continue to add to DOT's challenges. DOT must therefore remain focused on managing surface transportation grant awards in an evolving environment and conducting effective oversight of surface transportation infrastructure investments.

OAs Impacted: FHWA, FMCSA, FRA, FTA, GLS, MARAD, NHTSA, OST, PHMSA

Related DOT Strategic Goal(s): Infrastructure

Manage Surface Transportation Investments in an Evolving Environment

- Although the Infrastructure Investment and Jobs Act's (IIJA) 5-year funding authorization expires in 2026, DOT will continue to be challenged in managing more than half of the IIJA funds that have not been disbursed (see figure). Some IIJA-funded projects are expected to continue into the next decade, yet DOT has not fully implemented some of our recommendations to improve how IIJA funds are used. For example, DOT has not fully implemented one of our two recommendations from 2023 to improve the Department's fraud risk assessment processes. In addition, FHWA has not addressed any of the 13 recommendations we made in 2025 to improve the Agency's construction quality assurance oversight.
- Further, DOT faces the challenge of responding to potential programmatic changes under the next surface transportation funding authorization. For example, we found in 2025 that FTA did not verify that Capital Investment Grant Program applicants met a Transit Asset Management progress eligibility requirement established by IIJA. Our ongoing audits address IIJA's program changes, including assessments of FHWA's stewardship and oversight of non-State DOT direct recipients' discretionary grants, FTA's implementation of Emergency Relief Program insurance requirements, and PHMSA's Natural Gas Distribution Infrastructure Safety and Modernization grant program.

IIJA Funding Through July 31, 2026, 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 Disbursements	IIJA Disbursements (Percent of Adjusted Budget Authority)
FHWA	$329,389	$281,920	86%	$192,393	58%
FMCSA	$5,171	$4,623	89%	$3,328	64%
FTA	$112,608	$71,537	64%	$43,160	38%
FRA	$81,306	$56,335	69%	$21,828	27%
MARAD	$2,275	$780	34%	$101	4%
NHTSA	$8,243	$7,327	89%	$5,095	62%
PHMSA	$1,398	$1,218	87%	$493	35%
OST	$21,806	$6,181	28%	$2,060	9%
Total	**$562,196**	**$429,921**	**76%**	**$268,458**	**48%**

Note: All numbers in this table are rounded. Budget authority amounts reflect adjustments and transfers and include IIJA-authorized appropriations.
Source: OIG analysis of DOT-provided information

Related Investigative Work

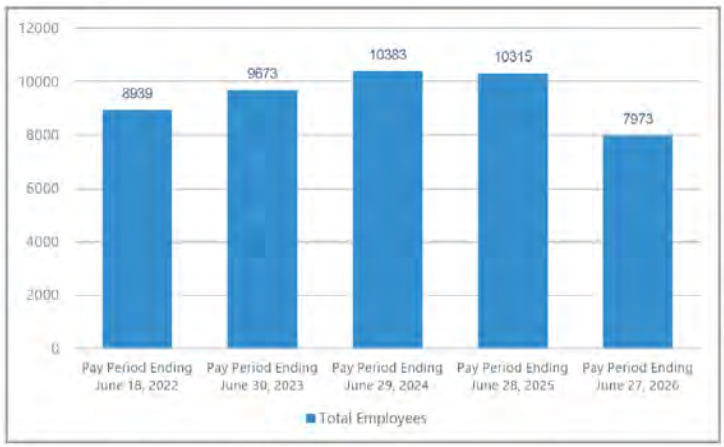
OIG protects surface infrastructure investments by investigating suspicious firms, fraud, and anticompetitive schemes, including using data-driven techniques to identify complementary bidding among seemingly competing firms.

- A company owner was sentenced to 6 months of incarceration, 24 months of probation, a $500,000 fine, and a $200 special assessment for a bid-rigging conspiracy involving asphalt paving contracts.
- FHWA entered into an administrative settlement and compliance agreement with a contractor who agreed to independent monitoring of its Federal and State-funded contracts. Previously, under a civil settlement, the contractor agreed to pay $11 million to resolve violations of solid waste laws.
- Two companies entered into civil settlement agreements totaling $30 million to resolve false claims allegations. The companies allegedly submitted false or fraudulent test results on federally funded asphalt projects for 13 years.

Conduct Effective Oversight of Surface Transportation Infrastructure Investments

- DOT has been challenged to ensure that its oversight mechanisms address risks associated with surface transportation infrastructure investments such as constructing port infrastructure projects to expand system capacity. In 2026, we found that weaknesses in MARAD's risk management, policies and procedures, human capital planning, and training reduced its ability to effectively oversee the $2.25 billion IIJA added to Port Infrastructure Development Program grant funding. MARAD has taken steps to address some of our findings in this area, addressing six of the eight recommendations to improve its oversight of this program. Additionally, our audit work identified Operating Administrations have been challenged in implementing planned oversight activities due to staffing constraints (see figure).
- The Department's oversight of surface transportation investments has also been challenged by potential bid-rigging and collusion in the Federal-aid Highway Program. Through this program, FHWA provides tens of billions of dollars to State DOTs to design, build, and replace roads and bridges. In 2025, we found FHWA had further opportunities to improve its guidance to support the prevention and detection of complementary bidding. Although FHWA addressed our recommendation to amend its guidance to States DOTs, the Department should continue to focus on risks associated with anticompetitive schemes, including complementary bidding among seemingly competing firms, which can inflate contract prices; misuse Federal funds; and undermine the integrity of federally funded investments.

Number of Employees for Surface Transportation Operating Administrations and OST, 2022–2026



Note: The number of employees includes both permanent and temporary employees.
Source: OIG analysis of DOT information for FHWA, FMCSA, FTA, FRA, GLS, MARAD, NHTSA, PHMSA, and OST.

Recent Progress Reported by the Department

- In June 2026, DOT announced the allocation of approximately $1.86 billion in FHWA Emergency Relief Program funding to repair roads, bridges, and other infrastructure damaged by natural disasters and catastrophic events.
- In July 2026, DOT announced over $1.7 billion in Better Utilizing Investments to Leverage Development (BUILD) grants awarded for projects which include road, bridge, rail, and port infrastructure work.

Related OIG Work

- MARAD's Policies and Procedures Are Not Sufficient To Assess Risk and Effectively Oversee IIJA-Funded Port Infrastructure Development Program Grants (March 2, 2026)
  - 8 recommendations (2 open, 6 closed)
- 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)

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

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

Inspector General's FY 2027 Top Management Challenges (cont.)

Information Technology Security

OAs Impacted: Departmentwide

Related DOT Strategic Goal(s): Infrastructure and Innovation

DOT faces challenges securing its over 425 information technology (IT) systems. The Department continues to have numerous longstanding weaknesses that may enable an attacker to control or gain unauthorized access to mission-critical IT systems and data. In addition, DOT must continue to protect its IT systems, such as those in the National Airspace System (NAS), from increasingly sophisticated cybersecurity threats that could severely impact critical operations by properly documenting, tracking, and mitigating potential system vulnerabilities. As DOT works to advance its IT security program, the Department must address technical challenges that hinder its ability to select and implement high-impact security controls.

Address Longstanding Cybersecurity Weaknesses To Protect DOT's IT Networks and Information Systems

- DOT has yet to fully address longstanding cybersecurity weaknesses. In 2026, the Department made progress complying with the Federal Information Security Modernization Act (FISMA) by closing 5 of our 52 prior-year recommendations. However, the 47 unresolved recommendations continue to significantly impact DOT's cybersecurity and reporting metrics.
- DOT is also challenged in managing its known information security system and application weaknesses. In July 2026, DOT had a cumulative backlog of 22,261 open security weaknesses in its Plans of Action and Milestones (POA&Ms) (see figure). Many of the identified weaknesses can be attributed to DOT's inconsistent enforcement of its Agencywide information security program, ineffective communication between DOT and its Operating Administrations, and limited progress in the remediation of prior-year audit recommendations.
- DOT must focus on overseeing its requirement for all Operating Administrations to use the Joint Cybersecurity Authorization Management (JCAM)—previously the Cybersecurity Assessment Management (CSAM)—system as the Department's official system of record for cybersecurity authorization, assessment, and continuous monitoring activities. Due to DOT's lack of JCAM oversight, the Department cannot ensure that the system contains the reliable and current information needed to support effective management of cybersecurity risks.

Number of Open POA&Ms Departmentwide Fiscal Years 2020–2026



Source: OIG analysis of DOT POA&M data.

SI Considerations

In July 2025, the White House issued *Winning the Race: America's AI Action Plan*, noting SI's use in cyber and critical infrastructure exposes systems to threats and calls for the use of secure-by-design, robust, and resilient SI systems for use in safety-critical or homeland security applications. Additionally, in July 2026, the White House launched the Gold Eagle Initiative to secure and accelerate American SI innovation through a clearinghouse that enables unprecedented cybersecurity vulnerability coordination. The coordinated system aims to quickly receive and patch cyber vulnerabilities using the Federal Government's existing authorities and resources.

As the Federal Government's SI use continues to expand, the Department will have both opportunities and challenges related to harnessing SI while bolstering its critical infrastructure cybersecurity.



Implement Current Federal Cybersecurity Controls To Protect the NAS

- FAA's challenges include selecting and implementing all required security controls to reduce critical systems' vulnerability to cyberattacks that could cause severe or catastrophic effects on the NAS. For example, we reported in April 2026 that FAA was using outdated National Institute of Standards and Technology (NIST) Series Publication (SP) 800-53 Revision 4 standards for some of its high-impact systems. However, since September 2020, NIST SP 800-53 Revision 5 controls have been mandated for all Federal information systems. See figure.
- According to FAA, technical issues hinder the Agency's ability to select and implement high-impact security controls. These challenges include that the existing IT systems are hard to upgrade, require significant technical modifications, or need new procurement actions.
- FAA also needs to continue improving its POA&M process. We found FAA has not been tracking and mitigating system vulnerabilities in DOT's system of record. Additionally, FAA has not been fully transparent with the Department because the Agency did not fully update the security system documentation to identify all vulnerabilities and report their status.

NIST 800-53 Revision 5 Count of Minimum Required Security Controls by Security Category

NIST 800-53 Revision 5 Control Baselines

LOW SECURITY (149)	MODERATE SECURITY (287)	HIGH SECURITY (370)
Essential security controls for systems where a security breach could have a limited impact.	Enhanced security controls for systems where a security breach could have a serious impact.	The most stringent security controls for systems handling highly sensitive data where a security breach could have a severe impact.

Source: OIG analysis of NIST SP 800-53B: *Control Baselines for Information Systems and Organizations*, October 2020, and NIST SP 800-53B *Control Baseline Spreadsheet*

Recent Progress Reported by the Department

- In fiscal year 2026, FAA has made progress in using NIST SP 800-53 Revision 5 high baseline controls for its critical IT systems.
- Operating Administrations have started to enter their IT security weaknesses and POA&Ms in JCAM based on the increase of over 7,000 vulnerabilities being tracked in JCAM between fiscal years 2025 and 2026.
- In July 2026, the Department improved its security posture by addressing one of our outstanding FISMA recommendations to enhance its vulnerability assessment capabilities for DOT systems.

Related OIG Work

- FAA Does Not Effectively Secure Its High-Impact Systems Supporting the National Airspace System (April 1, 2026)
  >> 4 recommendations (4 open, 0 closed)
- 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)
- Quality Control Review of the Independent Auditor's Report on the Assessment of DOT's Information Security Program and Practices (September 30, 2024)
  >> 10 recommendations (9 open, 1 closed)

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

Inspector General's FY 2027 Top Management Challenges (cont.)

Transportation Innovation

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 meeting the needs of a growing commercial space industry, safely integrating advanced air mobility (AAM) aircraft and beyond visual line of sight (BVLOS) drone operations into the National Airspace System (NAS), and developing strategies to enable the deployment of vehicle automation and driver assistance technologies.

OAs Impacted: FAA, NHTSA

Related DOT Strategic Goal(s): Innovation

Meet the Increasing Operational Needs of a Changing Commercial Space Transportation Industry

- The growth of commercial space operations continues to accelerate (see figure). FAA reported 194 licensed commercial space operations for fiscal year 2026, a 203-percent increase since 2021. FAA projects that the number of operations could rise by 45 to 161 percent between 2026 and 2036, encompassing activities such as satellite deployment, space tourism, lunar operations, and missions to Mars.
- FAA will be challenged to meet this growth due to constrained, aging infrastructure at launch sites like Cape Canaveral and Kennedy Space Center; industry turnover; and the introduction of larger launch vehicles. Additionally, eight licensed commercial space operations resulted in mishaps in fiscal year 2025, highlighting the importance of FAA's continued safety oversight. To address issues associated with increasing commercial space operations, FAA must collaborate with other agencies on infrastructure; secure adequate oversight resources; and advance technologies, procedures, and launch capacity to integrate these operations into the NAS.

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



	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Actual	64	74	113	148	205	194										
Forecast - High						214	252	292	336	385	414	440	467	484	498	507
Forecast - Low						209	205	209	230	238	244	252	260	271	276	282

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 drone operations and using drones to introduce contraband into prisons. For example:

- A Georgia individual was sentenced for operating an unmanned aircraft system, commonly known as a drone, over the 2025 Major League Baseball All-Star Game. This individual unlawfully flew a drone above Truist Park in Atlanta, which was within a temporary flight restriction and in restricted airspace. As a result, the individual was sentenced to 6 months of probation and a $500 fine.
- A South Carolina individual pleaded guilty to operating an aircraft eligible for registration without having the proper registration. This individual was previously indicted for attempting to fly an unregistered drone carrying contraband onto State prison grounds.

EVTOL Model in Flight



Source: Funni/stock.adobe.com.

Integrate Emerging Aviation Technologies Safely Into the NAS

- DOT has prioritized the safe advancement of drones and AAM—an umbrella term for an air transportation system that moves people and cargo using new aviation technologies—such as electric vertical takeoff and landing (eVTOL) aircraft (see figure). For example, FAA has advanced BVLOS drone operations via industry partnership programs. However, the Agency can do more to achieve program goals and improve data analysis. While the Agency published its proposed rule for normalizing BVLOS operations in August 2025, following a presidential executive order, the rule's full benefits will not be achieved until it is finalized and implemented.

- Integrating AAM aircraft remains an ongoing challenge for FAA. The certification process for AAM has been hindered by regulatory gaps and a lack of consensus within the Agency. Subsequently, FAA published new regulations and guidance to streamline the path to certification. Additionally, FAA launched the AAM and eVTOL Integration Pilot Program (eIPP) in March 2026. Like the BEYOND program for drones, eIPP features partnerships between the Federal Government, manufacturers, operators, and States testing various AAM operational concepts. The Agency will use the program's data to inform future regulations, although scalable operations will require future airworthiness certification of AAM aircraft.

Develop Strategies To Maintain Safety as Vehicle Automation and Driver Assistance Technologies Expand

- NHTSA faces challenges in maintaining safety as vehicle manufacturers are incorporating increased automation in vehicles that promise vehicle safety as they remove human drivers from events that may lead to crashes (see figure). However, for these automated vehicles to be safe, they must handle complex situations, manage traffic with human drivers, and secure public trust. NHTSA is focused on advancing automated driving systems by prioritizing public safety, removing unnecessary regulatory barriers, and enabling commercial automated vehicle deployment. Yet, the Agency has not developed strategies to standardize or regulate vehicle automation, which could present challenges maintaining safety on our Nation's roads.

Inspector General's FY 2027 Top Management Challenges (cont.)

• According to NHTSA, its efforts to improve cybersecurity controls include a focus on the cybersecurity of advanced driver assistance technology to ensure the systems mitigate safety risks. The Agency has adopted a multi-faceted, research approach that leverages NIST's Cybersecurity Framework and encourages industry to improve their vehicles' cybersecurity posture. However, NHTSA has not taken a direct approach to regulating or overseeing vehicle cybersecurity. Instead, the Agency's goal is to collaborate with the automotive industry to proactively address vehicle cybersecurity challenges and mitigate associated safety risks. Without a more direct approach, NHTSA may face challenges working with industry to maintain safety as vehicle cybersecurity threats evolve and safety risks increase.

Self-Driving Vehicle Navigating Around Traffic



Source: Prostock-studio/stock.adobe.com.

Recent Progress Reported by the Department

• On July 28, 2026, FAA launched a new initiative to streamline commercial space licensing, intending to make it easier to secure approvals to launch rockets, reenter spacecraft, and operate launch and reentry sites.

• In April 2025, Secretary Duffy unveiled NHTSA's new Automated Vehicle Framework with three principals: (1) to prioritize safety, (2) unleash innovation, and (3) enable commercial deployment of automated vehicles.

Related OIG Work

• 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 Has Made Progress in Advancing BVLOS Operations but Can Do More To Achieve Program Goals and Improve Data Analysis (June 30, 2025)

>> 7 recommendations (6 open, 1 closed)

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

Fraud Prevention and Financial Stewardship

OAs Impacted: Departmentwide

Related DOT Strategic Goal(s): Efficiency

DOT's efforts to meet its mission depend on strong fraud prevention and financial stewardship. DOT faces challenges preventing fraud, including combating the issuance of fraudulent CDLs and carriers with a history of regulatory noncompliance operating under new identities. Additionally, in fiscal year 2025, DOT obligated over $140 billion in grant and contract funds. This represents a 16-percent increase from fiscal year 2024 and the highest obligatory levels to date, which includes investing billions of IIJA funds in transportation infrastructure (see figure). However, the Department faces challenges such as administering grants and contracts that are a sound investment of taxpayer funds.

Fraud Prevention

Keep Individuals With Fraudulent Commercial Driver's Licenses From Operating on Our Nation's Roads

- To help DOT overcome challenges curbing transportation safety fraud, we investigate CDL fraud. Criminals use falsified documents to obtain CDLs, grant fraudulent medical certifications to CDL holders, and issue CDLs to unqualified individuals. The motor carrier industry has around 7,500 inspectors yet has over 5 million CDL holders Nationwide—making comprehensive monitoring, enforcement, and oversight difficult. These challenges risk the traveling public's safety and highlight the importance of stakeholder collaboration.

- To assist the Department, we established the CDL Fraud Working Group in fiscal year 2026. The group coordinates with FMCSA and law enforcement partners, identifying high-risk, third-party testers and training providers. As a result, we are investigating alleged obstruction and falsification of records and other conspiracies, and we have opened multiple cases including investigations stemming from semi-truck crashes that involved serious injuries and fatalities. However, DOT needs to sustain its focus on protecting our Nation's roadways by preventing and detecting the use of fraudulent CDLs.

Stop Carriers With a History of Regulatory Noncompliance From Operating Under New Identities

- Our investigations help DOT address challenges that intersect with CDL fraud such as chameleon carrier schemes, electronic logging device (ELD) tampering, and cargo theft. Domestic and transnational criminals use fraudulent CDLs to hide carrier identities, evade regulations, falsify hours-of-service records, and steal cargo. These issues affect testers, training providers, State examiners, and FMCSA oversight programs.

CDL-Related Investigation Results from Fiscal Years 2024–2026



Source: OIG analysis of ALERTS data.

Relevant Investigative Terms

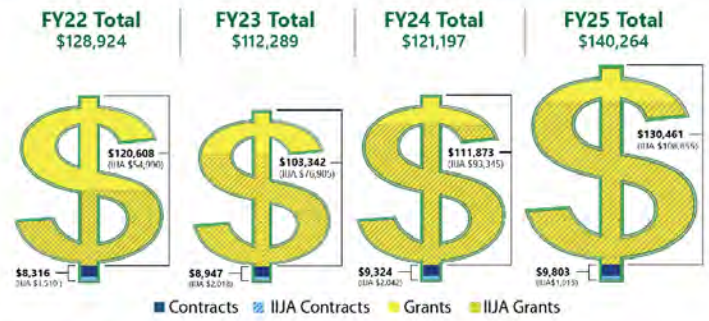
- ELD manipulation is when individuals illegally tamper with ELD logbooks in order to hide driving hours, bypass Federal safety regulations, and create false compliance records. FMCSA mandates ELDs be integrally synchronized with the engine of a truck.

- A chameleon carrier (also known as a reincarnated carrier) is an unsafe, non-compliant trucking company that shuts down after numerous safety violations or crashes, then reopens under a new name and DOT registration number to conceal the company's past record of noncompliance and evade enforcement officials.

- A third-party CDL tester is a private entity or commercial truck driving school authorized by a State's licensing agency to administer CDL tests using certified examiners on behalf of the State.

Inspector General's FY 2027 Top Management Challenges (cont.)

DOT Grant and Contracts Obligations, Fiscal Years 2022–2025 (in Millions)



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

Financial Stewardship

Administer Grants and Contracts To Provide a Sound Investment of Taxpayer Funds

- Revisions to Federal grant and contract regulations support the Administration's focus on simplifying processes, enhancing competition, emphasizing sound business judgement, and maximizing value and efficiency. DOT will need to align its grant and contract processes as changes occur. However, we have found weaknesses in these processes that hinder DOT's ability to maximize value and efficiency. Challenges include reasonable pricing determinations, noncompetitive procurement practices, and evaluation of applicant qualifications and proposed project plans.
- Regulatory revisions also focus on improving accountability of grant and contract fund use, including verifying the investment benefits our Nation. However, we have identified issues with DOT's oversight of grant and contract funds involving Buy America and Buy American compliance, timely deobligation of unused funds, and unsupported costs. For example, we identified six FTA Hurricane Sandy grants, representing nearly $100 million in unexpended funds, that remain open despite recipients completing all project activities anywhere from approximately 1 to 8 years prior. Given DOT's unprecedented levels of annual grant and contract obligations, the Department must focus on providing robust oversight to help prevent wasteful spending and verify the intended result of enhancing our Nation's transportation systems.

Recent Progress Reported by the Department

- FAA closed our seven recommendations related to awarding and modifying the Agency's IT and telecommunications contracts, such as implementing standardized processes to verify staff's compliance with various contract requirements.
- In May 2026, Secretary Sean Duffy and FMCSA launched Motus, a new anti-fraud registration system for America's trucking industry. This state-of-the-art tool allows the Department to use biometrics and modern data analytics to verify the identity of truck drivers, motor coach operators, and other motor carriers who apply for registration numbers and that they represent legitimate businesses.

Related OIG Work

- FAA Did Not Adequately Monitor and Enforce IIJA-Funded Contracts' Compliance With Buy American Requirements (April 20, 2026)
  >> 6 recommendations (6 open, 0 closed)
- FTA's Oversight Is Insufficient To Verify Timely and Proper Spending of Hurricane Sandy Funds (November 19, 2025)
  >> 4 recommendations (0 open, 4 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
Dormayne.Dillard-Christian@oig.dot.gov

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

Operational Efficiency

DOT has identified efficiency as one of its strategic goals, aimed at improving operations and delivering better results faster and with greater accountability. As part of this goal, the Department began implementing its 1DOT initiative in August 2025, which is intended to enhance DOT's efficiency, accountability, and operational excellence through streamlining, consolidating, and modernizing (see figure). DOT's challenge will be to achieve operational efficiency while navigating these organizational changes.

OAs Impacted: Departmentwide

Related DOT Strategic Goal(s): Efficiency

DOT's 1DOT Initiative



Source: OIG analysis

Achieve Operational Efficiency Through Organizational Changes

- DOT must carry out its critical mission while navigating numerous organizational changes as it modernizes its operations. DOT will face challenges as it strives to accomplish its efficiency goals through strategies such as streamlining processes, consolidating administrative functions and facilities, enhancing program delivery, and investing in IT updates. For example, through the 1DOT initiative, DOT is relocating FAA staff to its Headquarters building in an effort to improve operational responsiveness, accountability, and transparency. However, effective planning will be key to achieving the Department's goals. In a July 2026 report, GAO noted that "DOT does not have definitive space plans for all relocating FAA personnel or robust return on investment estimates to ensure the consolidation effort will result in efficient office space use and lower costs." As of August 2026, DOT reported it is using the findings and recommendations from this report to further optimize its real estate portfolio and identify additional locations for increased utilization and consolidation.
- Further, DOT is consolidating administrative functions, such as acquisitions and IT, to eliminate redundancies and enhance efficiency. Implementing these changes will involve addressing logistical and budgetary challenges that could impact its operational efficiency, such as determining how to fund acquisition and IT staff from the Operating Administrations being consolidated under OST, as well as training staff on new or revised systems and processes.
- In early 2026, the Department also began to transition most of its employees from using Microsoft 360 to Google Workspace as part of 1DOT's IT modernization strategy. However, the Department's timeline for the transition has not gone as planned. For example, as of August 2026, FAA has not fully converted to the new platform, and DOT could not provide an estimated target date to complete FAA's conversion. In addition, DOT staff face a learning curve as they adapt to using Google Workspace. Therefore, DOT will be challenged to make sure this IT transition does not significantly hinder the efficiency of its operations.

Related Efforts Reported by the Department

- In April 2026, DOT announced plans to replace its existing software engineering acquisition vehicle with 1DOT Digital Services, a potential $1.9 billion, multiple-award blanket purchase agreement to modernize DOT's IT infrastructure. 1DOT Digital Services encompasses DOT's entire digital transformation agenda, reaching across all Operating Administrations and supporting both mission-specific and Departmentwide applications. The awards for this effort are projected for the second quarter of fiscal year 2027.
- DOT has begun implementing a unified grants management system (GrantLens) to modernize and unify grants management practices across the Department and is targeting the first quarter of fiscal year 2029 to retire most legacy grant management systems.

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

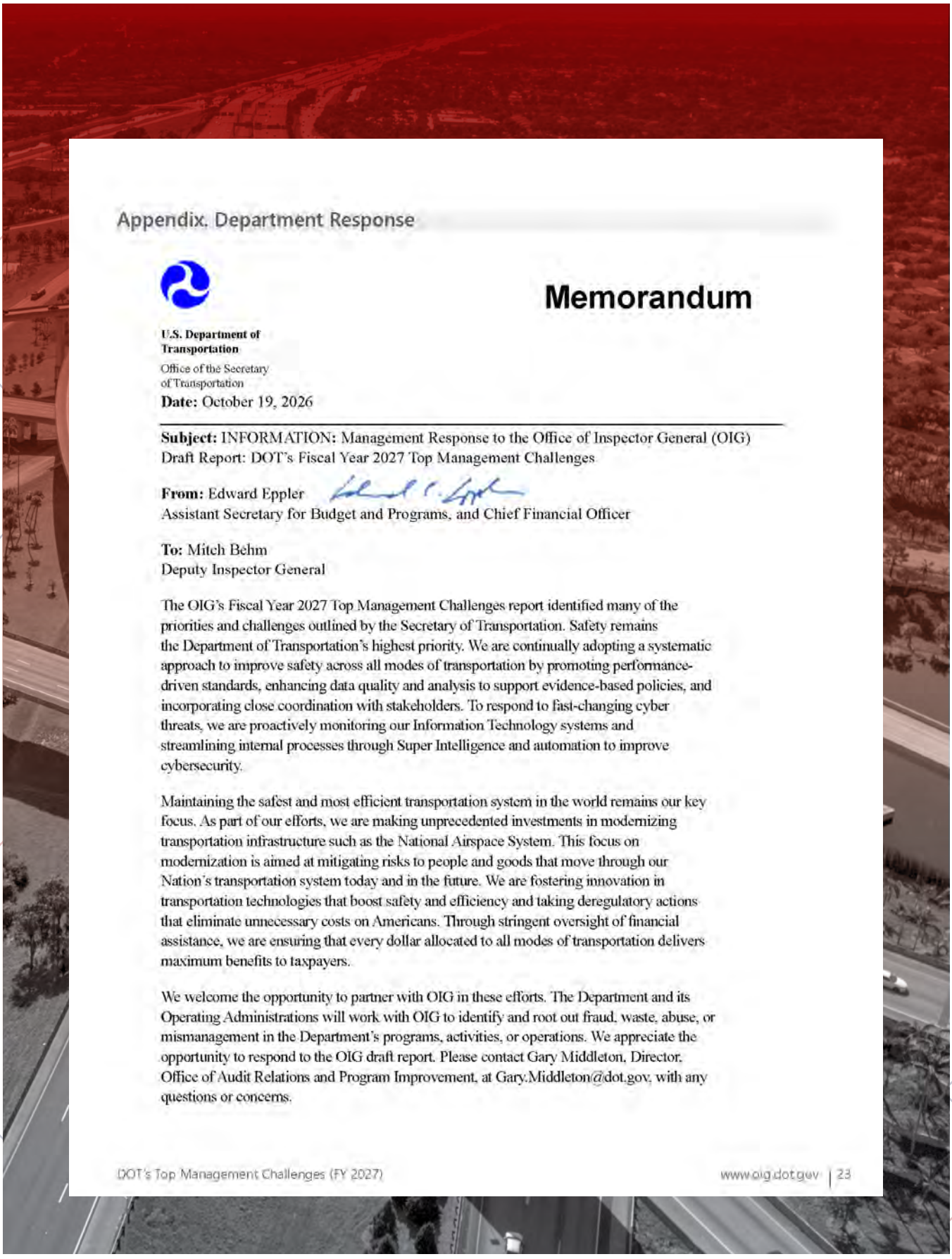
Dory Dillard-Christian
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Dormayne.Dillard-Christian@oig.dot.gov

Inspector General's FY 2027 Top Management Challenges (cont.)

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

FY 2026 Top Management Challenges	Key Challenges
Aviation Safety	• Balance Compliance Challenges With Collaboration When Overseeing Air Carrier Maintenance Programs • Maintain Aviation Safety While Facing Staffing Shortages, Under-Resourced Inspections, and Data Access Limitations
Surface Transportation Safety	• Prioritize Actions To Further Improve Safety and Reduce Fatalities and Injuries on the Nation's Roads and Rails • Protect Transportation Workers and the Traveling Public
Air Traffic Control and Airspace Modernization	• Hire and Train the Next Generation of Air Traffic Controllers While Sustaining the Integrity of the NAS • Develop a Comprehensive Plan That Anticipates and Mitigates Challenges to Successfully Modernizing the Nation's Air Traffic Control System
Surface Transportation Infrastructure	• Target Surface Transportation Funding for Priority Outcomes • Oversee Public Transit Agencies' Efforts To Expand Systems or Increase Capacity, While Maintaining a State of Good Repair
Financial Stewardship	• Adopt Streamlined Grant and Contract Processes To Support Efficient and Cost-Effective Outcomes • Implement Updated Financial Management and Reporting Requirements
Information Technology Security	• Address Recurring Cybersecurity Weaknesses To Reduce Risks to DOT's Information Systems • Reinforce Cybersecurity Policy Implementation To Safeguard DOT's Information Systems Against Continued Threats
Transportation Innovation	• Ensure the Safety and Operational Efficiency of the Rapidly Growing Commercial Space Transportation Industry • Advance the Safe Integration of Unmanned Aircraft Systems Into the NAS • Develop Strategies to Enable the Deployment of Vehicle Automation and Driver Assistance Technologies
Curbing Fraud, Waste, and Abuse	• Verify Grant and Contract Funds Are Used as Intended • Hold Those Who Abuse the System Accountable

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



Appendix. Department Response

Memorandum

U.S. Department of Transportation
Office of the Secretary of Transportation
Date: October 19, 2026

Subject: INFORMATION: Management Response to the Office of Inspector General (OIG) Draft Report: DOT's Fiscal Year 2027 Top Management Challenges

From: Edward Eppler
Assistant Secretary for Budget and Programs, and Chief Financial Officer

To: Mitch Behm
Deputy Inspector General

The OIG's Fiscal Year 2027 Top Management Challenges report identified many of the priorities and challenges outlined by the Secretary of Transportation. Safety remains the Department of Transportation's highest priority. We are continually adopting a systematic approach to improve safety across all modes of transportation by promoting performance-driven standards, enhancing data quality and analysis to support evidence-based policies, and incorporating close coordination with stakeholders. To respond to fast-changing cyber threats, we are proactively monitoring our Information Technology systems and streamlining internal processes through Super Intelligence and automation to improve cybersecurity.

Maintaining the safest and most efficient transportation system in the world remains our key focus. As part of our efforts, we are making unprecedented investments in modernizing transportation infrastructure such as the National Airspace System. This focus on modernization is aimed at mitigating risks to people and goods that move through our Nation's transportation system today and in the future. We are fostering innovation in transportation technologies that boost safety and efficiency and taking deregulatory actions that eliminate unnecessary costs on Americans. Through stringent oversight of financial assistance, we are ensuring that every dollar allocated to all modes of transportation delivers maximum benefits to taxpayers.

We welcome the opportunity to partner with OIG 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

The Department of Transportation (DOT or the Department), 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 the 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 comprehensive results of its FY 2026 IP reviews on OMB's website: paymentaccuracy.gov. The reports applicable to DOT are:

- The Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C);
- The Agency Annual High-Priority Program Report required under 31 U.S.C. § 3352(b)(2)(A)-(D);
- The Annual IP Estimation Report required as accompanying materials under 31 U.S.C. § 3352(c);
- The Annual Report on Actions to Reduce IPs required as accompanying materials under 31 U.S.C. § 3352(d); and
- The Annual Report on Actions to Recover IPs Identified in a Recovery Audit required as accompanying materials under 31 U.S.C. § 3352(e).

Under PIIA, a program or activity is defined as susceptible to significant IPs when its annual IPs exceed both 1.5 percent of outlays and $10 million, or when they exceed $100 million regardless of the error rate. Recently, to comply with Executive Orders (EOs) 14247 and 14249 and related Federal Program Inventory (FPI) requirements, the Office of the Secretary (OST) developed a comprehensive list of Federal Financial Assistance Programs. Because each FPI assistance listing number must now represent only one DOT program and align one-to-one with PIIA reporting, DOT's reported IP programs increased significantly from 41 in FY 2025 to 198 in FY 2026.

To fulfill these mandates while maintaining a robust oversight framework, the Federal Highway Administration (FHWA) divided its program susceptible to IPs, Highway Planning and Construction, into over 30 distinct programs. FHWA assessed the risk of IPs for each program and determined that the two largest and highest-risk programs remain susceptible to significant IPs. FHWA's two Phase 2 programs required to report an annual IP estimate are:

- **FHWA Surface Transportation Block Grant Program (STBG):** Provides flexible funding used by states and localities to preserve and improve conditions on Federal-aid highways, bridges, tunnels, pedestrian and bicycle infrastructure, and transit capital projects.
- **FHWA National Highway Performance Program (NHPP):** Provides support for the condition and performance of the NHS, ensuring that investments in highway construction align with performance targets established in state asset management plans.

FY 2026 PAYMENT ACCURACY RESULTS

(Dollars in Millions)

PROGRAM OR ACTIVITY	OUTLAYS	ESTIMATED PROPER PAYMENT AMOUNT	PROPER PAYMENT RATE	ESTIMATED IMPROPER PAYMENT AMOUNT	IMPROPER PAYMENT RATE
FHWA STBG[1]	$ 18,985.75	$ 18,361.23	96.71%	$ 624.52	3.29%
FHWA NHPP[1]	$ 25,483.61	$ 24,581.21	96.46%	$ 902.40	3.54%

For FY 2026 testing, the program or activity reviewed payments made from October 1, 2024, to September 30, 2025.

As a result of the FY 2026 testing procedures, 27 IPs were identified for the FHWA NHPP, and 20 were identified for the FHWA STBG. OMB Circular A-123, Appendix C, defines two primary root cause categories: Failure to Access Data/ Information and Statutory Requirements of Program Were Not Met. Within these, DOT identified six programmatic root causes: 1) Incorrect Federal Share; 2) Contractual Non-Compliance; 3) Administrative Error; 4) Financial System Control Error; 5) Process Error – Non-Contract; and 6) Insufficient Documentation.

Specific scenarios driving these errors included incorrectly charged projects, charges outside the period of performance, data entry errors, and project management control errors.

- **NHPP Root Causes:** The largest NHPP errors were categorized as Technically Improper due to incorrect Federal share calculations. In one instance, a state applied a 99.98 percent match instead of the required 80 percent using a tapered match structure without having a formal tapered match agreement in place. FHWA Divisions are working with state DOTs to analyze project setup procedures in state systems to prevent future calculation errors. Additionally, FHWA implemented the new Project Review Tool (PRT) in FY 2026 to assist with accurate project authorizations and modifications.
- **STBG Root Causes:** The largest STBG errors resulted from materials (asphalt) not meeting contractual quality standards for 100 percent payment. While the quality was acceptable for use, the invoiced amount should have been reduced by 20 percent per the contract terms. FHWA Divisions are advising state DOTs to verify all contractual components prior to incurring costs and to ensure invoices are calculated accurately by reperforming vendor computations.

The FY 2026 Payment Accuracy Root Cause table below provides an estimate of IPs by statutory category.

FY 2026 PAYMENT ACCURACY ROOT CAUSES

(Dollars 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 STBG	$ 405.27	$ 219.25	$ -	$ -	$ 624.52
FHWA NHPP	$ 840.26	$ 62.14	$ -	$ -	$ 902.40

Because both FHWA programs estimate monetary losses exceeding $100 million, OMB classifies them as High-Priority. Both programs will carry this designation into FY 2027 and will be subject to quarterly reporting to track payment integrity improvements.

Advancing Payment Integrity Protecting DOT's assets and resources is essential to achieving our mission of advancing a safe, efficient, and innovative transportation system. For FY 2026, DOT achieved an overall payment accuracy rate of 96.57 percent. A common characteristic of DOT programs susceptible to IPs is that they are administered by grant recipients. While recipients are responsible for administering federal assistance, DOT Operating Administrations (OAs) ensure compliance by working directly with them to address training deficiencies, improve documentation, and strengthen payment processes.

A cornerstone of DOT's program integrity strategy is the integration of the Treasury Department's Do Not Pay (DNP) Business Center into our existing financial processes. This partnership directly drives DOT's compliance with the PIIA, EO 14249 ("Protecting America's Bank Account Against Fraud, Waste, and Abuse"), and OMB Memorandum M-25-32. In FY 2026, DOT achieved a major milestone by successfully completing Treasury's onboarding steps for DNP, establishing an application programming interface (API) between our financial management system, Delphi, and DNP Connect, implementing the necessary changes within Delphi to enable all DOT disbursements to be reviewed through Treasury's Payment Verification capability, and expanding access to the DNP web portal. Through DNP Connect, DOT continuously monitors the eligibility of payees both within Delphi and at key points in our award and payment processes. Following the successful implementation and testing of the API connection in FY 2026, DOT applied DNP Connect's composite risk model to all payees within Delphi. The integration of this risk model into our pre-award and pre-payment processes will continue to expand throughout FY 2027.

Under Payment Verification, DOT payments are screened prior to disbursement, and Treasury immediately returns any payments that fail to meet strict verification criteria. In FY 2026, the Payment Verification process screened 384,140 payments totaling $21,720,555,188, returning only 7 payments that totaled $7,576. While DOT has neither identified a material amount nor realized a material reduction in IPs directly attributable to these evolving DNP capabilities, these remarkably low return figures serve as a highly positive indicator. Ultimately, our successful DNP implementation conclusively demonstrates that DOT maintains robust and highly effective internal controls to ensure that only eligible entities receive Federal funds.

Beyond estimating IPs for Phase 2 programs and EO 14249 initiatives, the DOT Payment Integrity Center accomplished several key milestones in FY 2026. DOT completed 124 IP and fraud risk assessments across 10 OAs, conducted a comprehensive payment recovery audit, and analyzed confirmed fraud cases. The DOT Office of Inspector General (OIG) concluded that our FY 2025 reports fully complied with OMB PIIA requirements, with the FY 2026 determination expected in FY 2027. Looking ahead, the Payment Integrity Center remains committed to executing annual requirements, coordinating the evaluation of DOT programs for major changes which may necessitate an off-cycle risk assessment, monitoring corrective actions, and continuously strengthening DOT's payment processing controls.

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 maintain their deterrent effect.

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

The following table shows the civil penalties that the DOT may impose, the authority for imposing the penalty, the year the penalty was enacted or adjusted by the U.S. Congress, the latest year of inflation adjustments, the current penalty level, and the DOT Operating Administration (OA) that is responsible for the penalty. Information about the latest inflation adjustments to the Civil Monetary Penalties within our jurisdiction and additional penalty adjustment details can be found at the Federal Register website and Federal Register for Civil Monetary Penalty Adjustments for Inflation for DOT.

Due to the FY 2026 Federal Government Shutdown, the October 2025 Consumer Price Index for All Urban Consumers (CPI-U) data, which is needed to make inflation adjustments under the 2015 Act, could not be produced. Accordingly, OMB issued Memorandum M-26-11 on April 17, 2026, to cancel updates to the cost-of-living adjustment multiplier for 2026. Therefore, DOT continued using the 2025 civil monetary penalty levels for 2026, which are listed in the table below.

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)

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	Ordinary maximum rail safety penalty	2008	2025	$ 36,439	FRA
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 HMRs and Safety Permitting Regulations (training)—minimum penalty	2012	2025	$ 617	FMCSA
49 U.S.C. 5123 (a)(1)	Appendix B (e)(2): Violations of 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 HMRs and Safety Permitting Regulations (packaging or container)	2012	2025	$ 102,348	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)(4) Violations of HMRs and Safety Permitting Regulations (compliance with Federal Motor Carrier Safety Regulations)	2012	2025	$ 102,348	FMCSA
49 U.S.C. 5123 (a)(2)	Appendix B (e)(5) Violations of 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
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

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 (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
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 HHGs at destination	1995	2025	$ 20,537	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 (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
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

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	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
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

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. 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
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

STATUTORY AUTHORITY	PENALTY NAME & DESCRIPTION	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT (VIA STATUTE OR REGULATION)	CURRENT PENALTY (DOLLAR AMOUNT OR RANGE)	OA
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)
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	2024	$ 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	2024	$ 17,062	FAA
49 U.S.C. 46301 (b)	Tampering with a smoke alarm device	1987	2025	$ 5,478	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. 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
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, 2026. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2026.

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

CATEGORY	2-3 YEARS – FY 2024-2023	4-5 YEARS – FY 2022-2021	>5 YEARS – BEFORE FY 2021
Number of Grants/Cooperative Agreements with Zero Dollar Balances	2,548	1,196	1,171
Number of Grants/Cooperative Agreements with Undisbursed Balances	1,565	783	982
Total Dollar Amount of Undisbursed Balances	**$ 208,653**	**$ 63,907**	**$ 43,966**

DOT has made significant progress in closing out grant awards in FY 2026. DOT closed out 1,845 grants and cooperative agreements totaling $110.6 million in FY 2026. 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. The implementation of an automated early-warning notification system has increased the closeout process by setting automated system milestones at 90, 60, and 30 days prior to and post-award expiration to remind recipients and Grant Officers of impending closeout deliverables.

Although DOT made progress over the past year, it also experienced some challenges preventing closeout 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 recipients' 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 closeout process. All grant recipients, including States and non-States, each operate their own systems and employ unique processes to close out awards. This creates an inconsistent landscape that complicates the resources needed to ensure project data reflects the status of work. 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 DOTs, 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, 2025**, DOT had a beginning balance of **485** audit recommendations. **During FY 2026**, the OIG issued a total of **134** audit recommendations—**4** in funds put to better use, **12** in questioned or unsupported costs, and **118** (non-financial) procedural recommendations. **In FY 2026**, DOT closed **172** recommendations, which left **447** recommendations open at the end of the fiscal year. Of the number closed, **162** were procedural or non-monetary; **4** were funds put to better use; **6** were questioned or unsupported costs, which represented **$267,157,686**; however, only **$27,114** in disallowed costs was recoverable, which DOT recovered. **As of September 30, 2026**, DOT has **1** recommendation over six months old without a management decision.

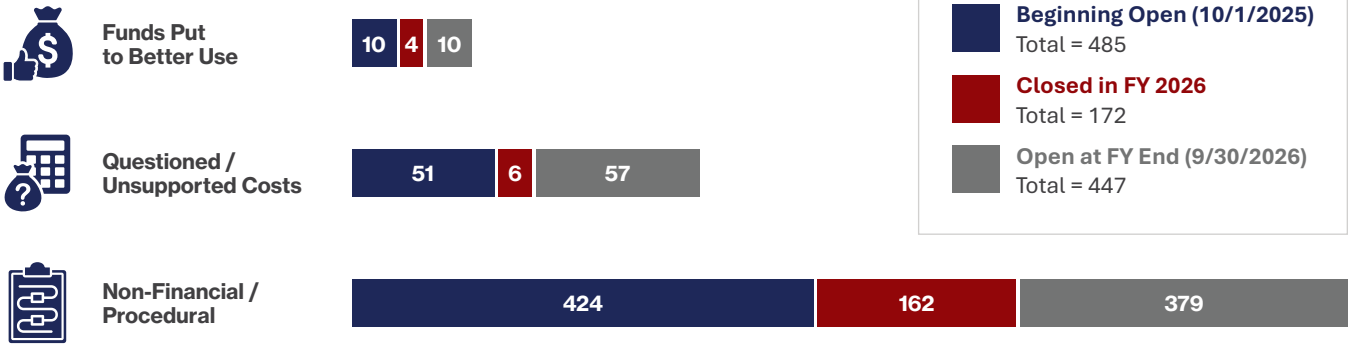
The tables below show that during FY 2026 DOT made management decisions to act on **16** audit recommendations with management efficiencies and planned recoveries that total nearly **$665 million**. In addition, the DOT completed final actions for 5 monetary audit recommendations that represented approximately **$170 million** in cost savings.

FY 2026 Audit Recommendation Status

Beginning open recommendations, recommendations closed during FY 2026, and remaining open recommendations at fiscal year-end.



BY RECOMMENDATION CATEGORY



During FY 2026, DOT closed 172 audit recommendations, including 162 non-financial recommendations and 10 recommendations with monetary impacts, strengthening program effectiveness, internal controls, and financial stewardship.

1 *Recommendation over 6 months old without a management decision*

Government Accountability Office (GAO)

On **October 1, 2025**, DOT had a beginning balance of **179** open audit recommendations. During FY 2026, DOT closed **32** recommendations and GAO issued a total of **45** new recommendations. As of **September 30, 2026**, GAO has **63** 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, 2025	10	$ 719,394,439
Management Decision—During the Fiscal Year	4	$ 531,879,022
Total Management Decisions Made	**14**	**$ 1,251,273,461**
Final Action—Recommendations Implemented	4	$ 169,901,860
Final Action—Recommendations Not Implemented	10	$ 1,081,371,601
Ending Balance on September 30, 2026	**10**	**$ 1,081,371,601**

MANAGEMENT ACTION ON AUDIT RECOMMENDATIONS WITH DISALLOWED COSTS

ACTION TYPE	RECOMMENDATIONS	DOLLAR VALUE
Management Decision—Beginning Balance on October 1, 2025	51	$ 560,212,300
Management Decision—During the Fiscal Year	12	$ 133,195,518
Total Management Decisions Made	**63**	**$ 693,407,818**
Final Action—Collections/Offsets	1	$ 27,114
Final Action—*(Allowable)*	5	$ 95,585,650
Total Final Actions	6	$ 95,612,764
Ending Balance on September 30, 2026	**57**	**$ 596,151,992**



Appendix

Certificate of Excellence in Accountability Reporting Award

Certificate of Excellence in Accountability Reporting for Transparent and High-Quality Financial Analysis

DOT received a Certificate of Excellence in Accountability Reporting (CEAR®) award for the Department's FY 2025 Agency Financial Report (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 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 2025 AFR. DOT is fully committed to excellence in financial reporting and providing a comprehensive understanding of DOT's fiscal and programmatic accomplishments.



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Image Location: Page 161

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Image Location: Page 162

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Acronyms List

Acronym	Definition
AATF	Airport and Airway Trust Fund
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
AMVER	Automated Mutual Assistance Vessel Rescue System
AMVETS	American Veterans
API	Application Programming Interface
APR	Annual Performance Report
ARTCCs	Air Route Traffic Control Centers
ATCTs	Airport Traffic Control Towers
ATC	Air Traffic Control
ATOs	Authorizations to Operate
BNATCS	Brand New Air Traffic Control System
BOD	Binding Operational Directive
BUILD	Better Utilizing Investments to Leverage Development
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
CIP	Construction-in-progress
CISA	Cybersecurity and Infrastructure Security Agency
CMMS	Computerized Maintenance Management System
CMP	Campus Modernization Program
CMV	Commercial Motor Vehicle
COE	Common Operating Environment
Congress	U.S. Congress
CPI-U	Consumer Price Index for All Urban Consumers
CR	Commercial Regulation

Acronym	Definition
CR	Continuing Resolution
CSRS	Civil Service Retirement System
CTEM	Continuous Threat Exposure Management
CTI	Collegiate Training Initiative
DATA Act	Digital Accountability and Transparency Act of 2014
DCA	Ronald Reagan Washington National Airport
DBE	Disadvantaged Business Enterprise
DHS	Department of Homeland Security
DM&R	Deferred Maintenance and Repairs
DoD	Department of Defense
DNP	Do Not Pay
DOL	Department of Labor
DOT or the Department	Department of Transportation
EO	Executive Order
ERM	Enterprise Risk Management
ESC	Enterprise Services Center
eVTOL	Electric Vertical Takeoff and Landing
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST	Fixing America's Surface Transportation Act of 2015
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 Employees Retirement System
FFB	Federal Financing Bank
FFGAs	Full Funding Grant Agreements
FFMIA	Federal Financial Management Improvement Act of 1996
FHWA	Federal Highway Administration
FISMA	Federal Information Security Modernization Act of 2014
FMCSA	Federal Motor Carrier Safety Administration
FMCSRs	Federal Motor Carrier Safety Regulations
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMRE	Facilities Maintenance, Repair, and Equipment

Acronym	Definition
FPI	Federal Program Inventory
FR	Financial Report of the U.S. Government
FRA	Federal Railroad Administration
FSSP	Federal Shared Service Provider
FTA	Federal Transit Administration
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GenAI	Generative Artificial Intelligence
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
HMRs	Hazardous Materials Regulations
HTF	Highway Trust Fund
IGT	Intragovernmental Transactions
IIJA	Infrastructure Investment and Jobs Act
IP	Improper Payment
IRS	Internal Revenue Service
IMLS	Institute of Museum and Library Services
IT	Information Technology
KEVs	Known Exploitable Vulnerabilities
MARAD	Maritime Administration
MBRC	Minority Business Resource Center
MMAC	Mike Monroney Aeronautical Center
MVP	Minimum Viable Product
MWAA	Metropolitan Washington Airports Authority
NAS	National Airspace System
NATCA	National Air Traffic Controllers Association
NCD	National Council on Disability
NCUA	National Credit Union Administration
NDRF	National Defense Reserve Fleet
NEA	National Endowment for the Arts

Acronym	Definition
NHS	National Highway System
NHPP	National Highway Performance Program
NHTSA	National Highway Traffic Safety Administration
NRC	Nuclear Regulatory Commission
OA	Operating Administration
OBBBA	One Big Beautiful Bill Act
OCIO	Office of the Chief Information Officer
OFM	Office of Financial Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OST	Office of the Secretary
OTA	Office of Tax Analysis
PAM	Payment Automation Manager
PARs	Performance and Accountability Reports
PBC	Provided By Customer
PCB	Polychlorinated Biphenyls
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIIA	Payment Integrity Information Act of 2019
P.L.	Public Law
PMO	Project Management Office
POA&Ms	Plan of Action and Milestones
PP&E	Property, Plant, and Equipment
PRT	Project Review Tool
P2SS	Pathways to Safer Streets
RCRA	Resource Conservation and Recovery Act of 1976
R&D	Research and Development
RRF	Ready Reserve Force
RRIF	Railroad Rehabilitation and Improvement Financing
RRTF	Risk Reduction Task Force
RSI	Required Supplementary Information
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAFSTOR	NRC Method of Preparing Nuclear Facilities for Storage and Decontamination
SAI	Surface Awareness Initiative
SAS	Safety Assurance System
SEC	Securities and Exchange Commission
Secretary	Secretary of Transportation

Acronym	Definition
SFFAS	Statement of Federal Financial Accounting Standards
SMART	Strategic Management of Airspace, Routes and Trajectories
SORN	System of Records Notice
SSAE 18	Statement on Standards for Attestation Engagements 18
STB	Surface Transportation Board
STBG	Surface Transportation Block Grant
TAS	Treasury Account Symbol
"The 2015 Act"	Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
TIFIA	Transportation Infrastructure Finance and Innovation Act
TIM	Traffic Incident Management
TRACON	Terminal Radar Approach Control Facility
TSCA	Toxic Substances Control Act
TTC	Transportation Technology Center
URA	Uniform Relocation Act
U.S.C.	United States Code
USMMA	United States Merchant Marine Academy
USSGL	United States Standard General Ledger
VOR MON	Very High Frequency Omnidirectional Range Minimum Operational Network
WJHTC	William J. Hughes Technical Center
WUS	Washington Union Station
ZT	Zero Trust
ZTA	Zero Trust Architecture

Contact Us

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