2019

AGENCY FINANCIAL REPORT

U.S. Department of Transportation

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FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2019 provides an overview of the Department's financial performance and results to the Congress, the President, and the American people. The report details information about our stewardship over the financial resources entrusted to us. In addition, the report provides information about our performance as an organization, our achievements, our initiatives, and our challenges.

The AFR, the first in a series of reports required by the Office of Management and Budget (OMB), provides readers with an overview of the Department's highest priorities, as well as our strengths and challenges.

The Department's FY 2019 annual reporting includes the following two components.

AGENCY FINANCIAL REPORT (AFR)

The following AFR report is organized into three major sections.

The Management's Discussion and Analysis section provides executive-level information on the Department's history, mission, organization, and key activities; analysis of financial statements; systems, controls, and legal compliance; accomplishments for the fiscal year; and management and performance challenges. A high-level summary of FY 2019 performance information will be found on page 7 of the AFR. Detailed performance data are included in the Annual Performance Report (APR).

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

The Other Information section provides Improper Payments Information Act (IPIA) of 2002 reporting details and other statutory reporting requirements, including the Summary of Financial Statement Audit and Management Assurances; the Inspector General's FY 2020 Top Management Challenges; Fraud Reduction Report; Reduce the Footprint; and Civil Monetary Penalty Adjustments for Inflation.

ANNUAL PERFORMANCE REPORT (APR)

The FY 2019 APR will be produced in conjunction with the FY 2021 Annual Performance Plan and FY 2021 President's Budget Request. The APR will provide the detailed performance information and descriptions of results by each key performance measure. This report will also include trend data and a discussion of DOT's performance.

The APR report satisfies the reporting requirements of the following major legislation:

- Reports Consolidation Act of 2000;
- Government Performance and Results Act of 1993;
- Chief Financial Officers Act (CFO Act) of 1990;
- Government Management Reform Act of 1994;
- Federal Managers' Financial Integrity Act (FMFIA) of 1982;
- Federal Financial Management Improvement Act (FFMIA) of 1996; and
- Improper Payments Information Act (IPIA) of 2002.

The reports will be available on DOT's website at https://www.transportation.gov/.

*Available February 2020.

MESSAGE FROM THE SECRETARY

I'm pleased to present the Department of Transportation (DOT or the Department) fiscal year (FY) 2019 Agency Financial Report (AFR). This report details the Department's financial and programmatic performance relative to DOT's priorities, and reflects our commitment to delivering credible, quality data and information on the Department's fiscal operations.

Safety is the Department's Number One strategic and organizational goal. DOT approaches its safety mission from every angle, including infrastructure design and funding, vehicle design, and operating standards. The Department has adopted a systemic approach to safety oversight and management. This approach is proactive and helps ensure that innovative and emerging technologies are safely integrated in existing transportation systems.

Improving Infrastructure for the future. Addressing deteriorating infrastructure is vital to our country's productivity, economic vitality, job creation and quality of life. The Department is also preparing for the transportation systems of the future by engaging with new and emerging transportation technologies to address legitimate public concerns about safety, privacy, and security, while not hampering innovation.

Accountability and Financial Stewardship. DOT must ensure that every dollar spent is used to the maximum benefit of the taxpayer. Accountability at the Department means exercising proper management and oversight of its contracts and grants to improve program performance and prevent fraud, waste, and abuse. Each mode strives for efficient and effective internal controls, processes, and procedures and ensure they are appropriately implemented.

OVERVIEW OF THE FY 2019 FINANCIAL RESULTS

For the thirteenth consecutive year, DOT has received an unmodified opinion, providing reasonable assurance that the financial statements are reported fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and 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.

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

It is an honor to work with the talented and committed men and women at DOT in advancing this important mission, and I look forward to seeing additional accomplishments in the future.

Sincerely,

Elaine L. Chao

MANAGEMENT'S DISCUSSION AND ANALYSIS

DOT MISSION

The Department's mission is to ensure our Nation has the safest, most efficient and modern transportation system in the world, which improves the quality of life for all American people and communities, from rural to urban, and increases the productivity and competitiveness of American workers and businesses.

OVERVIEW OF LEGISLATIVE AUTHORITIES

The Secretary of Transportation, under the direction of the President, exercises leadership in transportation matters. Section 101 of Title 49 United States Code (U.S.C.) describes the United States Department of Transportation purposes as follows:

a. The national objectives of general welfare, economic growth and stability, and security of the United States require the development of transportation policies and programs that contribute to providing fast, safe, efficient, and convenient transportation at the lowest cost consistent with those and other national objectives, including the efficient use and conservation of the resources of the United States.

b. A Department of Transportation is necessary in the public interest and to—

    1. Ensure the coordinated and effective administration of the transportation programs of the United States Government;
    2. Make easier the development and improvement of coordinated transportation service to be provided by private enterprise to the greatest extent feasible;
    3. Encourage cooperation of Federal, State, and local governments, carriers, labor, and other interested persons to achieve transportation objectives;
    4. Stimulate technological advances in transportation, through research and development or otherwise;
    5. Provide general leadership in identifying and solving transportation problems; and
    6. Develop and recommend to the President and the Congress transportation policies and programs to achieve transportation objectives considering the needs of the public, users, carriers, industry, labor, and national defense.

ORGANIZATION

HISTORY

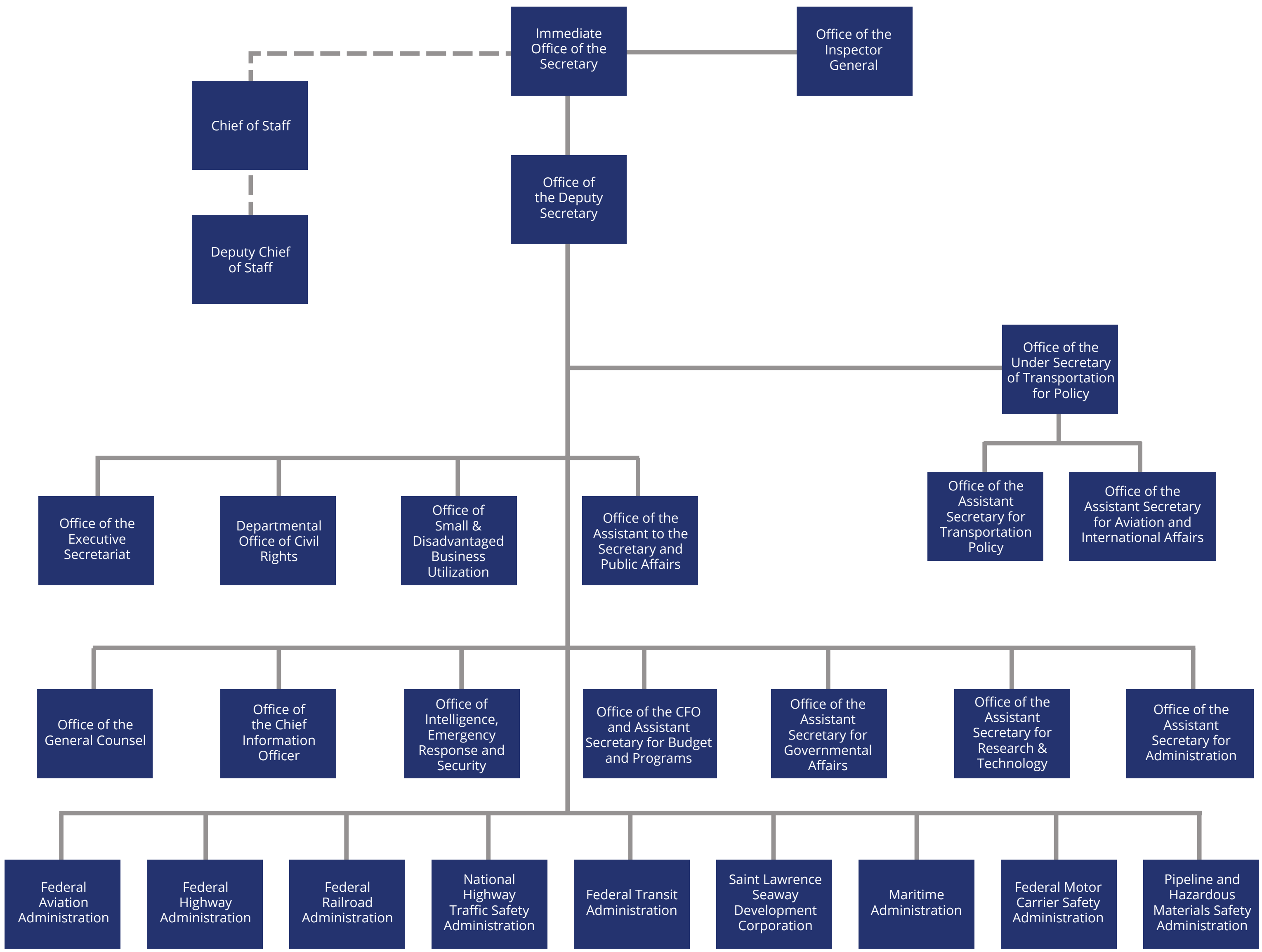
Established in 1966, DOT sets Federal transportation policy and works with State, local, and private-sector partners to promote a safe, secure, efficient, and interconnected national transportation system of roads, railways, pipelines, airways, and seaways. DOT’s overall objective of creating a safer, simpler, and smarter transportation system is the guiding principle as the Department moves forward to achieve specific goals.

HOW DOT IS ORGANIZED

DOT employs more than 54,000 people in the Office of the Secretary (OST) and through 10 Operating Administrations (OAs) and Bureaus, each with its own management and organizational structure.

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

ORGANIZATIONAL CHART



OAs AND INDEPENDENT ORGANIZATIONS

OFFICE OF THE SECRETARY (OST)

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

OFFICE OF INSPECTOR GENERAL (OIG)

The Inspector General Act of 1978, as amended, established the Office of Inspector General as an independent and objective organization within DOT. The OIG is committed to fulfilling its statutory responsibilities and supporting members of Congress, the Secretary, senior Department officials, and the public in achieving a safe, efficient, and effective transportation system.

FEDERAL AVIATION ADMINISTRATION (FAA)

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

FEDERAL HIGHWAY ADMINISTRATION (FHWA)

The mission of the Federal Highway Administration is to enable and empower the strengthening of a world-class highway system that promotes safety, mobility, and economic growth, while enhancing the quality of life of all Americans.

FEDERAL RAILROAD ADMINISTRATION (FRA)

The mission of the Federal Railroad Administration is to enable the safe, reliable, and efficient transportation of people and goods for a strong America now and in the future.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA)

The National Highway Traffic Safety Administration's mission is to save lives, prevent injuries, and reduce economic costs resulting from road traffic crashes through education, research, safety standards, and enforcement activity.

FEDERAL TRANSIT ADMINISTRATION (FTA)

The Federal Transit Administration's mission is to improve public transportation for passengers and America's communities.

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION (SLSDC)

The Saint Lawrence Seaway Development Corporation's mission is to serve the marine transportation industries by providing a safe, secure, reliable, efficient, and competitive deep draft international waterway in cooperation with the Canadian St. Lawrence Seaway Management Corporation.

MARITIME ADMINISTRATION (MARAD)

The Maritime Administration's mission is to improve and strengthen the U.S. marine transportation system to meet the economic, environmental, and security needs of the Nation.

FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION (FMCSA)

The Federal Motor Carrier Safety Administration's primary mission is to reduce crashes, injuries, and fatalities involving large trucks and buses.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

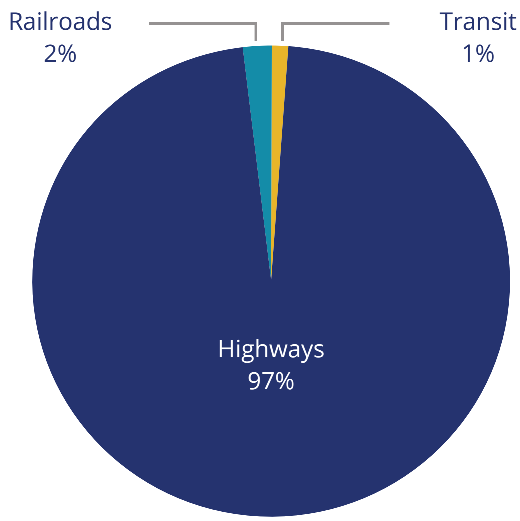
The Pipeline and Hazardous Materials Safety Administration's mission is to protect people and the environment from the risks inherent in the transportation of hazardous materials by pipeline and other modes of transportation.

PERFORMANCE SUMMARY AND HIGHLIGHTS

DOT's mission is to ensure our Nation has the safest, most efficient, and most modern transportation system in the world. This system improves the quality of life for all American people and communities, and it increases the productivity and competitiveness of American workers and businesses.

The Nation has made progress in reducing overall transportation-related fatalities and injuries during the past two decades, even as the U.S. population and travel rates increased significantly. Motor vehicle fatalities constitute 97 percent of all surface transportation fatalities. Rail and transit fatalities represent the other three percent.

Fatalities by Surface Transportation Mode (2018)



DOT focuses on mitigating risks and encouraging behavior change by using a data-driven systemic safety approach to identify risks, enhance standards and programs, and evaluate effectiveness. DOT's systemic safety approach is supported by the following safety goals.[1]

ROADWAY SAFETY

Over the past 15 calendar years (2004 to 2018), the number of people killed on the Nation's roadways has dropped by 14.7 percent, from 42,884 to 36,560. Motor vehicle fatalities constitute 97 percent of all surface transportation fatalities. Rail and transit fatalities represent the other three percent. The fatality rate declined 5 percent from 2016 to 2018, and DOT continued to make progress in reducing the motor vehicle fatality rate in FY 2019. However, there is still much work to be done, as the projected number of fatalities in 2018 was 36,560.[2] DOT uses a multi-faceted approach to address the problem of roadway fatalities by focusing on three major areas: human behavior, technology, and infrastructure. Specifically, the Department works with State, local, and tribal stakeholders to promote safer behavior among drivers, commercial operators, and other road users; increase vehicle safety; and improve roadway infrastructure conditions.

Human Behavior: Human error is a critical factor in over 90 percent of all serious vehicle crashes. This includes distracted, drowsy, or impaired driving; excessive speed; illegal maneuvers; and poor directional control. National safety enforcement campaigns focus on reducing negative behavioral choices, such as driving while distracted or impaired. They also seek to increase safe choices. One of the safest choices drivers and passengers can make is to buckle up—seat belts reduce the risk of a fatal injury in a crash by 45 percent and saved nearly 15,000 lives in 2017. An additional 2,549 lives could have been saved if all vehicle occupants had been wearing their seat belts. In 2018, the national seat belt use rate was near the all-time high of 90 percent, achieved in 2016.

Technology: In FY 2019, DOT released new Federal guidance for automated vehicles, *Preparing for the Future of Transportation: Automated Vehicles 3.0* (AV 3.0), that builds upon the voluntary guidance provided in *Automated Driving Systems 2.0: A Vision for Safety.* AV 3.0 supports the safe development of automated vehicle technologies by providing new multimodal guidance, clarifying roles, and outlining a process for working with the Department as technology evolves.

While automation, innovation, and technology matures and data become available to inform decision-making, NHTSA's current Federal Motor Vehicle Safety Standards apply to traditional and emerging vehicles and technologies. If a safety risk is foreseen or a noncompliance matter emerges, the Agency will use its broad enforcement authority to take action as necessary. Likewise, NHTSA has multiple research projects and rulemakings in progress to remove

[1] A complete report of DOT's performance for FY 2019 will be included in the Annual Performance Plan and Report that will be released with the FY 2021 President's Budget.
[2] The finalized number of surface transportation fatalities will be released after the publication of this report.

unnecessary barriers to innovation and further ensure safety. The Department also worked with State and local partners to improve safety through innovative infrastructure treatments. For example, proven safety countermeasures have been disseminated widely across the country, and FHWA is focusing resources on reducing intersection crashes, roadway departures, and bicycle and pedestrian crashes.

Infrastructure: The Department also worked to improve the conditions of the Nation's transportation infrastructure. For example, DOT and FHWA, in cooperation with the American Association of State Highway Transportation Officials (AASHTO), sponsored the first National Safety Engineer Peer Exchange. More than 180 safety practitioners from 49 States convened in Minneapolis in July to discuss the implementation of a safe systems approach for infrastructure. National experts and State peers presented on topics such as Highway Safety Improvement Program (HSIP) Safety Management, countermeasure success stories, partnerships and collaboration, pedestrian and bicycle safety, and workforce development.

State, local, and tribal stakeholder engagement and dialogue is an essential element for the success of the Department's strategic safety initiatives. NHTSA, FHWA, and FMCSA partnered to support the development of a coalition that has brought together more than 800 State and local organizations to focus on developing short and long-term strategies to reduce crashes and fatalities.

Reduce Motor Vehicle-Related Fatalities (FHWA, NHTSA, FMCSA)

MOTOR VEHICLE-RELATED ROADWAY FATALITIES PER 100 MILLION VEHICLE-MILES TRAVELED	2016[3]	2017	2018	2019	2020
Targets	1.02	1.02	1.02	1.02	1.01
Actual Total	1.19	1.17	1.13	1.06*	N/A

N/A = not available.
**For the first 6 months of 2019.*

Reduce Motor Vehicle-Related Fatalities by Type (FHWA, NHTSA, FMCSA)

MOTOR VEHICLE-RELATED FATALITY SUPPORTING INDICATORS		2016[3]	2017	2018*	2019	2020
Passenger fatalities per 100 million VMT	Targets	0.75	0.75	0.75	0.74	0.74
	Actuals	0.75	0.74	0.70	N/A	N/A
Large truck and bus fatalities per 100 million VMT	Targets	0.114	0.114	0.114	0.114	0.114
	Actuals	0.144	0.156	N/A	N/A	N/A
Non-occupant fatalities (pedestrian, bicycle) per 100,000 population	Targets	2.19	2.15	2.15	2.10	2.10
	Actuals	2.19	2.19	2.25	N/A	N/A
Motorcycle fatalities per 100,000 motorcycle registrations	Targets	62	62	62	62	61
	Actuals	60.9	59.34	N/A	N/A	N/A

N/A = not available. VMT = vehicle miles traveled.
**2018 data will not be available until early 2020.*

RAIL SAFETY

FRA's mission is to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future. FRA executes this mission by developing and enforcing minimum safety levels, promoting non-regulatory safety improvement initiatives, facilitating regional rail planning, managing Federal investments in rail services and infrastructure, and fostering research and development to advance innovative technologies and best practices.

[3] All data are presented by calendar year.

Trespass Incidents: Trespass incidents and highway-rail grade crossings account for almost all rail-related deaths. Trespassing on railroad rights-of-way is the leading cause of rail-related fatalities, killing 499 people and accounting for 62 percent of U.S. rail-related deaths in FY 2018. Preliminary data through June 2019 indicated the FY 2019 trespassing incident rate was almost 20 percent higher than the FY 2018 rate and almost 18 percent higher than the FY 2017 rate. Trespassing is a complex challenge for the industry, communities, and FRA to address. FRA's 2018 National Strategy to Prevent Trespassing on Railroad Property focuses on four strategic areas: (1) data gathering and analysis, (2) community site trespass prevention assessments, (3) funding, and (4) partnerships with affected stakeholders.

Highway-Rail Grade Crossing Incidents: Collisions at highway-rail grade crossings are the second leading cause of rail-related fatalities, killing 275 people and accounting for approximately 30 percent of all such fatalities. Preliminary data through June 2019 indicated the FY 2019 grade crossing incident was almost eight percent above the FY 2018 rate and more than nine percent above the FY 2017 rate. Rising motor vehicle and rail traffic, as well as higher population densities and land development around crossings, increase the risk of crossing collisions. Strategies to reduce incidents include public education, engineering recommendations, and greater use of data analytics.

Reduce Rail-Related Fatalities (FRA)

RAIL-RELATED FATALITIES		2017	2018	2019	2020
Rail right-of-way trespass incident rate per million train-miles	Targets	*	1.55	1.51	1.48
	Actuals	1.443	1.364	1.609	N/A
Highway-rail grade crossing incident rate per million train-miles	Targets	*	2.85	2.84	2.84
	Actuals	2.997	3.038	3.269	N/A

N/A = not available.
Note: Actual data are subject to change and might differ from prior-year materials based on the latest information available (as of June 30, 2019).
** This was a new performance measure, so no target is available.*

TRANSIT SAFETY

Each year, FTA works to reduce the number of transit collisions involving people by collecting data, issuing safety regulations, and providing oversight. FTA established the Public Transportation Agency Safety Plan (PTASP) regulation to require FTA grantees in urbanized areas to establish an agency safety plan by July 20, 2020. In July 2019, FTA released a Dear Colleague letter to remind the transit industry of this important upcoming safety deadline.

The agency safety plan is FTA's primary initiative for improving safety performance in the transit industry. The plans must include safety performance targets, and transit operators must certify they have safety plans in place that meet the requirements of the rule by July 20, 2020. Each plan must be updated and certified by the transit agency annually.

Reduce Rail Transit Collisions Involving Persons (FTA)

TOTAL RAIL TRANSIT COLLISIONS WITH PERSONS	2017	2018	2019	2020
Targets	*	450	420	415
Actuals	408	425	396(p)	N/A

N/A = not available. (p) = preliminary.
Note: FY 2019 actuals are as of July 31, 2019. Final data will not be available until October 2020. Source: National Transit Database, data pulled as of July, 2019. Data is reported by Federal fiscal year. Rail transit collisions with persons includes suicides. Targets for FY 2019 and FY 2020 were revised in December 2018 based on FTA exceeding its targets in FY 2018.
** This was a new performance measure, so no target is available.*

The Rail Transit Collisions Involving Persons metric for 2019 is currently off target. As of October 2019, there have been 396 reported collisions with a year-end target of 420. FTA is analyzing the underlying data to understand the cause of this increase but has not yet identified a primary driver as of this writing.

PIPELINE AND HAZARDOUS MATERIALS (HAZMAT) SAFETY

Each day, 6 million tons of hazardous materials move across nearly 900 million miles on the Nation's transportation network. In addition, a network of 2.7 million miles of pipelines transport natural gas and hazardous materials throughout the nation. While pipelines are, by many measures, the safest mode for transporting hazardous liquid and natural gas, the products they carry are inherently dangerous. Coordination with state pipeline agencies and private industry to strengthen the safety and reliability of pipelines, along with a continued focus on preventing excavation- or construction-related damage, has played an important role in reducing the number of deaths and major injuries from pipeline incidents.

PHMSA's FY 2019 performance compared favorably to the targeted levels, reflecting safety improvements in the delivery of hazardous materials and the operation of pipeline facilities. In FY 2019, PHMSA projects 21 fatalities caused by the release of hazardous materials transported via pipeline or surface transportation conveyance, below the target ceiling of 25. PHMSA projects 36 pipeline and hazardous materials incidents involving death or major injury in FY 2019, which is also below the target ceiling. Since 1998, pipeline incidents involving death or reportable injury have declined about 50 percent despite growth in the system, significantly increased use, and growth in adjacent communities. About 80 percent of pipeline incidents with death or major injury occur on natural gas distribution systems, which provide direct services to about 66 million households and businesses each year. In addition, since 1988, hazardous materials incidents with death or major injury have declined by 10 percent every eight years on average. Most hazardous material incidents that result in deaths occur on highways and involve tank truck crashes. Although PHMSA is on pace not to exceed our FY 2019 targets, we will continue to work towards ensuring that the transportation of hazardous material by all modes, including pipelines, becomes as safe as possible.

Improve Safe Delivery of Pipeline Products and Hazardous Materials (PHMSA)

PIPELINE PRODUCTS AND HAZARDOUS MATERIALS DELIVERY DATA		2017	2018	2019	2020
Fatalities caused by the release of hazardous materials transported via pipeline or surface transportation conveyance	Targets	*	*	25	24
	Actuals	16	13(p)	21(p)	N/A
Incidents involving death or major injury resulting from the transport of hazardous materials by all modes including pipelines	Targets	*	63	62	61
	Actuals	45	52(p)	36(p)	N/A
Gross volume spilled (in barrels) of hazardous liquid by pipeline	Targets	*	*	55,800	53,500
	Actuals	*	55,795	49,009(p)	N/A
Net volume spilled (in barrels) of hazardous liquid by pipeline	Targets	*	29,300	23,500	22,900
	Actuals	29,251	4,453	21,486(p)	N/A
DOT reportable incidents involving hazardous materials by all modes except pipeline	Targets	*	18,000	17,000	16,000
	Actuals	*	17,883(p)	16,081(p)	N/A

N/A = not available. (p) = preliminary.
Note: FY 2018 actual data should be finalized in fall 2019. FY 2019 actual data will be available in fall 2020.
** This was a new performance measure, so no target is available.*

AVIATION SAFETY

FAA's goal to reduce aviation fatalities includes two areas: commercial aviation and general aviation. FAA uses separate metrics for commercial and general aviation because the safety and validation requirements for training pilots and certifying commercial equipment for U.S. passenger and cargo air carriers are different than those for private and personal use.

Commercial: In 2007, FAA created a long-term goal to reduce the fatality rate on U.S.-owned commercial carriers by 50 percent by 2025—from 8.8 fatalities per 100 million persons on board in 2007 to 4.4 in 2025. FAA also set incremental annual targets within that span, following a downward linear projection. Since 2010, FAA has consistently met or exceeded its annual targets—the actual fatality rate has been 1.1 or less per 100 million persons on board during this time. Having sustained a superior safety record, FAA will strive to maintain this level of performance in the future.

In 2019, commercial air travel was at an all-time high, consisting of more than 16 million flights and 77 million passengers. While rare, commercial aviation accidents happen, with five U.S. fatalities in 2019. The FAA expects to meet its commercial safety targets for the FY 2019 fiscal year. Final target data will be available in the first quarter of FY 2020.

Reduce U.S.-Owned Commercial Carrier Aviation Fatalities per 100 Million Persons on Board (FAA)

U.S.-OWNED COMMERCIAL CARRIER FATALITIES PER 100 MILLION PERSONS ON BOARD	2017	2018	2019	2020
Targets	6.4	6.2	5.9	5.7
Actuals	0.3	0.1	0.6(p)	N/A

N/A = not available. (p) = preliminary.
Note: FY 2019 data will be finalized in the first quarter of FY 2020.

General: General aviation fatality rates are at historic lows and continue to decrease over time. Nevertheless, FAA has an imperative to be smarter about how it assures safety as the aviation industry grows more complex. FAA recognizes the need to identify precursors to accidents to improve safety. To that end, FAA is supporting the installation of new safety-enhancing technology in general aviation aircraft, continuing implementation of new Airman Testing and Training Standards, and working in partnership with industry on a data-driven approach to understand fatal accident causes and develop safety enhancements to mitigate risk. As of July 2019, the general aviation (GA) fatal accident rate was 0.98 compared to the not-to-exceed rate of 0.98. This equates to 201 fatal accidents compared to a not-to-exceed number of 201, prorated for the end of July (251 for the year). Additionally, there have been 352 fatalities through July. There have been 41 experimental fatal accidents through July, which was 20.4 percent of the total number of GA fatal accidents.

Reduce General Aviation Fatal Accidents per 100,000 Flight Hours (FAA)

U.S. GENERAL AVIATION FATAL ACCIDENTS PER 100,000 FLIGHT HOURS	2017	2018	2019	2020
Targets	1.01	1.00	0.98	0.97
Actuals	0.83	0.89	0.98(p)	N/A

N/A = not available. (p) = preliminary.
Note: FY 2019 data will be finalized in the first quarter of FY 2020.

FINANCIAL HIGHLIGHTS

The financial statements and financial data presented in this report were prepared from the accounting books and records of DOT in conformity with generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards and other authoritative pronouncements prescribed by the Federal Accounting Standards Advisory Board (FASAB). Department management is responsible for the integrity and fair presentation of the financial information presented in these statements.

Since FY 2012, the Airport and Airway Trust Fund (AATF) and the Highway Trust Fund (HTF) have been granted extensions of authority to collect excise taxes and make expenditures. Following several extensions of the FAA Modernization and Reform Act of 2012 (Public Law [P.L.] 112-95), the Disaster Tax Relief and Airport and Airway Extension Act of 2017 (P.L. 115-63) and the Consolidated Appropriations Act of 2018 (P.L. 115-141) extended AATF authority through September 30, 2018. On October 5, 2018, President Trump signed the FAA Reauthorization Act of 2018 (P.L. 115-254), which extended the AATF authorizations and related revenue authorities to September 30, 2023. Following several extensions of the Moving Ahead for Progress in the 21st Century (MAP-21, P.L. 112-141), which extended and expanded the previous law, the Fixing America's Surface Transportation Act of 2015, or "FAST Act," (P.L.114-94) extended MAP-21 policies and HTF authority through September 30, 2020.

The FAST Act greatly restored HTF funding levels. During FY 2019, the Department continued to spend down authority received from the FAST Act, which is intended to supplement emergency relief authorizations and funding through FY 2020.

OVERVIEW OF FINANCIAL POSITION

Assets

The Consolidated Balance Sheets report total assets of $126.2 billion at the end of FY 2019, compared with $127.2 billion at the end of FY 2018. The Fund Balance with Treasury line item increased by $7.2 billion, primarily the result of an increase of appropriations and other authority. Investments decreased by $12.1 billion as HTF expenditures exceeded excise tax collections.

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

Dollars in Thousands	2019	%	2018	%
Assets by Type				
Fund Balance With Treasury	$44,081,720	34.9	$36,887,851	29.0
Investments	45,642,343	36.2	57,780,741	45.4
Direct Loans and Guarantees, Net	21,728,966	17.2	17,081,395	13.4
General Property, Plant and Equipment	12,557,630	9.9	12,741,027	10.0
Inventory and Related Property, Net	1,007,480	0.8	969,154	0.8
Accounts Receivable	211,858	0.2	259,144	0.2
Advances, Prepayments, and Other Assets	989,324	0.8	1,492,304	1.2
Total Assets	**$126,219,321**	**100**	**$127,211,616**	**100**

Liabilities

The Department's Consolidated Balance Sheets report total liabilities of $35.6 billion at the end of FY 2019, as summarized in the table below. This number represents a $5.6 billion increase from the previous year's total liabilities of $30 billion. The Debt line increased by $4 billion because borrowings from Treasury were required to support higher disbursement levels in the Department's credit loan programs.

Dollars in Thousands	2019	%	2018	%
Liabilities by Type				
Debt	$20,756,047	58.3	$16,710,004	55.7
Grant Accrual	8,665,105	24.3	7,799,796	26.0
Other Liabilities	3,543,306	10.0	2,808,308	9.3
Environmental and Disposal Liabilities	1,021,384	2.9	1,102,308	3.7
Federal Employee Benefits Payable	849,291	2.4	869,087	2.9
Accounts Payable	615,650	1.7	638,486	2.1
Loan Guarantees	156,859	0.4	88,118	0.3
Total Liabilities	**$35,607,642**	**100**	**$30,016,107**	**100**

RESULTS OF OPERATIONS

Net Costs

The Department's Net Cost of Operations was $82.1 billion for FY 2019, as summarized in the following table. Surface and air costs represent 98.4 percent of the Department's total net cost of operations. Surface transportation program costs represent the largest investment for the Department, at 77.2 percent of the net cost of operations. Air transportation is the next largest investment, at 21.2 percent of total net cost of operations.

Dollars in Thousands	2019	%	2018	%
Net Costs				
Surface Transportation	$63,360,015	77.2	$60,932,066	77.3
Air Transportation	17,419,186	21.2	16,721,712	21.2
Maritime Transportation	678,588	0.8	516,574	0.7
Cross-Cutting Programs	388,128	0.5	462,023	0.6
Costs Not Assigned to Programs	241,946	0.3	226,070	0.2
Net Cost of Operations	**$82,087,863**	**100**	**$78,858,445**	**100**

Net Position

The Department's Consolidated Balance Sheets and Consolidated Statement of Changes in Net Position report a Net Position of $90.6 billion at the end of FY 2019, a 6.8 percent decrease from the $97.2 billion from the previous fiscal year. The decrease is mainly attributable to the excess of expenditures over HTF funding levels in FY 2019. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

RESOURCES

Budgetary Resources

The Combined Statements of Budgetary Resources provide information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For FY 2019, the Department had total budgetary resources of $163.1 billion, which represents a 4.9 percent increase from FY 2018 levels of $155.6 billion. Budget Authority of $163.1 billion consisted of $57.3 billion in unobligated authority carried over from previous years, $29.3 billion in appropriations, $63.9 billion in borrowing and contract authority, and $12.6 billion in spending authority from offsetting collections. The Department's FY 2019 obligations incurred totaled $102.4 billion compared with FY 2018 obligations incurred of $99.9 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2019, the Department had net outlays of $84.6 billion compared with FY 2018 levels of $81 billion, a 4.4 percent increase.

Dollars in Thousands	2019	2018	% CHANGE
Resources			
Total Budgetary Resources	$163,137,117	$155,562,850	4.9
New Obligations and Upward Adjustments	102,442,316	99,900,218	2.5
Agency Outlays, Net	84,598,702	81,038,034	4.4

HERITAGE ASSETS AND STEWARDSHIP LAND INFORMATION

Heritage assets are property, plant and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with items of general property, plant and equipment. The Department's Heritage assets consist of artifacts, museum and other collections, and buildings and structures. The artifacts and museum and other collections are those of the Maritime Administration. Buildings and structures include Union Station (rail station) in Washington, D.C., which is titled to FRA.

The Department holds transportation investments through grant programs, such as the Federal-Aid Program, mass transit capital investment assistance, and airport planning and development programs.

Financial information for Heritage assets and Stewardship Land is presented in the Financial Report section of this report in the Notes to the Principal Statements and Required Supplementary Information.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements were prepared to report the financial position and results of operations of the U.S. Department of Transportation, pursuant to the requirements of 31 U.S.C. 3515 (b).

These statements were prepared from the books and records of the U.S. Department of Transportation in accordance with GAAP for Federal entities and in formats prescribed by 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.

FY 2019 FMFIA ASSURANCE LETTER TO THE PRESIDENT

THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

November 12, 2019

The President
The White House
Washington, DC 20500

Dear Mr. President:

This letter reports on the effectiveness of the internal control and financial management systems for the U.S. Department of Transportation (DOT) during Fiscal Year (FY) 2019. It also provides DOT's FY 2019 Federal Managers' Financial Integrity Act (FMFIA) assurance statement, and summarizes noteworthy internal control and management efforts in support of that assurance for the fiscal year that ended on September 30, 2019.

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

DOT management is responsible for managing risks and maintaining effective internal control to meet the objectives of Section 2 and 4 of FMFIA. DOT conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Based on the results of the assessment, DOT can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2019.

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

In FY 2019, DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2019 and open items from previous assessments and audits. DOT considered the identified control deficiencies separately and in the aggregate to identify issues that may rise to the level of a significant deficiency, material weakness or financial system non-compliance.

DOT is reporting no material weaknesses under Section 2 of FMFIA and no instances of financial system non-compliance related to Section 4 for the fiscal year that ended on September 30, 2019.

Management's Responsibility for Enterprise Risk Management and Internal Control
OMB Circular A-123, Appendix A: Management of Reporting and Data Integrity Risk

DOT management is responsible for establishing and maintaining effective internal control over reporting. DOT assessed the effectiveness of its internal control over reporting, including safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. During FY 2019, DOT documented and assessed internal controls over several business processes. Appendix A activities in FY 2019 included conducting an entity, process, and transaction level assessment of the controls over reporting.

Page 2
The President

In addition, an assessment was also performed on the Department-wide financial management system, Delphi, including obtaining an annual Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) Type II Report from the Enterprise Services Center (ESC) to determine if financial systems complied with Federal Financial Management system requirements.

DOT management developed a Data Quality Plan to achieve the objectives of the Digital Accountability and Transparency Act (DATA Act). The Data Quality Plan considers the incremental risks to data quality in federal spending data and the controls that would manage the risks. Through this process, DOT identified data elements at high-risk of inaccurate reporting. DOT assessed the controls in place to confirm the accuracy of the high-risk data elements within the Credit Reform and Loans, Procure to Pay, and Grants Management business processes.

Based on the results of the assessment, DOT provides reasonable assurance that internal control over reporting was operating effectively and no material weaknesses were identified as of September 30, 2019.

Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 (P.L. 112-194)
***OMB Circular A-123, Appendix B: Improving the Management of Government Charge Card Programs*[1]**

The Charge Card Act establishes reporting and audit requirement responsibilities for executive branch agencies. DOT has reviewed the Purchase and Travel Card programs for compliance with the Charge Card Act, and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices.

DOT also reviewed the Travel, Purchase, and Fleet Card programs for compliance with OMB Circular A-123, Appendix B requirements. Based on the results of the evaluation, DOT can provide reasonable assurance that it is in compliance with OMB Circular A-123, Appendix B.

Improper Payments Information Act of 2002 (IPIA; P.L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; P.L. 111-204) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; P.L. 112-248)
OMB Circular A-123, Appendix C: Requirements for Payment Integrity Improvement

DOT conducted reviews of its programs during FY 2019, and based on the results, provides reasonable assurance that the Department conformed to the requirements of IPIA, as amended by IPERA and IPERIA, and OMB Circular A-123, Appendix C.

In its report, *DOT's Fiscal Year 2018 IPERA Compliance Review*, issued on June 3, 2019, the OIG determined that one DOT program did not meet its reduction target rates as required by IPERA. DOT did comply with the remaining IPERA compliance requirements by: (1) publishing required

[1] The revised OMB Circular No. A-123 Appendix B, *A Risk Management Framework for Government Charge Card Programs* guidance was issued on August 27, 2019. DOT utilized the guidance provided in the A-123, Appendix B, *Improving the Management of Government Charge Card Programs* for the FY 2019 assessment.

information in the FY 2018 AFR; (2) publishing improper payment estimates; (3) publishing corrective action plans; and (4) reporting an improper payment rate of less than 10 percent for each program and activity susceptible to significant improper payments.

A description and results of our improper payment reviews are reported in the Other Information section of the DOT FY 2019 AFR.

Federal Financial Management Improvement Act of 1996 (FFMIA) (P.L. 104-208)
OMB Circular A-123, Appendix D: Compliance with the FFMIA

FFMIA requires implementing and maintaining financial management systems that comply substantially with the following three FFMIA Section 803(a) requirements: Federal Financial Management Systems Requirements, applicable Federal accounting standards promulgated by the Federal Accounting Standards Advisory Board (FASAB), and the United States Standard General Ledger (USSGL) at the transaction level.

Based on the results of the FFMIA Compliance Determination Framework utilized from OMB Circular A-123, Appendix D and management's assessments of its internal controls within financial management systems as described under the OMB Circular A-123, Appendix A section above, the DOT has determined that financial management systems complied with FFMIA.

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

Based on reviews of DOT's spending practices of Hurricane Sandy recovery-related funding, DOT provides reasonable assurance that it has implemented the appropriate policies and controls to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy.

Conclusion
Based on the results of our FMFIA assessment in FY 2019, I conclude that the Department has made substantial progress in enhancing the effectiveness of its internal control and financial management program. Additional enhancements are underway in FY 2020.

Sincerely,

E. L. Chao

Elaine L. Chao

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

The FMFIA requires agencies to conduct an annual evaluation of their internal control and financial management systems and report the results to the President and Congress. Each agency then prepares an annual Statement of Assurance to report on the effectiveness of its internal control and financial management systems compliance based on the assessment.

For FY 2019, ending September 30, 2019, the Secretary of Transportation provided the President and 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, 2019.

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

FMFIA Annual Assurance Process

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

The head of each OA or Departmental office submits an annual FMFIA Statement of Assurance representing the overall adequacy and effectiveness of management controls within the organization to DOT's Office of Financial Management. Any identified FMFIA material weakness, significant deficiency, and/or system noncompliance is reported internally and corrective actions are undertaken. Guidance for completing the OA or Departmental office Statement of Assurance and reporting on deficiencies is issued annually by DOT's Office of Financial Management.

Objectives of Control Mechanisms

The objectives of internal control within the Department's operations are consistent with the objectives of FMFIA Sections 2 and 4, which include:

- Obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports, and to maintain accountability over the assets;
- Audit findings are promptly resolved; and
- Financial systems conform to principles, standards, and related requirements prescribed by the Comptroller General.

Assessing Internal Controls

OMB Circular A-123 defines management's responsibility for Enterprise Risk Management (ERM) and internal control. The Statement of Assurance is based on assessments performed during FY 2019. The assessments for FY 2019 included the following, utilizing applicable guidance:

- Appendix A, Management of Reporting and Data Integrity Risk
- Appendix B, Improving the Management of Government Charge Card Programs
- Appendix C, Requirements for Payment Integrity Improvement
- Appendix D, Compliance with the Federal Financial Management Improvement Act

Management's Statement of Assurance, as it relates to OMB Circular A-123, is located in the preceding section of this report.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

FFMIA requires that each agency implement and maintain financial management systems that comply substantially with the following three FFMIA Section 803(a) requirements: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards promulgated by FASAB, and (3) the United States Standard General Ledger (USSGL) at the transaction level.

Based on the assessment results of the FFMIA Compliance Determination Framework from OMB Circular A-123, Appendix D, Compliance with the Federal Financial Management Improvement Act and management's assessments of its internal control within Delphi, DOT's financial management system, DOT has determined that it was in compliance with FFMIA for FY 2019.

FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014 (FISMA)

FISMA requires Federal agencies to identify and provide security protection commensurate with the risk and magnitude of potential harm resulting from the loss, misuse of, unauthorized access to, disclosure of, disruption to, or modification of information collected to be maintained by or on behalf of an agency. FISMA also requires that each agency report annually on the adequacy and effectiveness of information security policies, procedures, and practices and on FISMA compliance. OMB further requires that agency heads submit a signed letter that provides a comprehensive overview of these areas. In addition, FISMA requires that agencies have an independent evaluation performed over their information security programs and practices. At DOT, this annual evaluation is performed by OIG. For FY 2019, the annual FISMA report will be finalized and submitted on October 31, 2019, as required by OMB and the Department of Homeland Security (DHS). Similar to FY 2018, OIG separated its FISMA-required assessment and submission to OMB from a narrative audit report of cybersecurity at DOT. The narrative report is expected to be published in November 2019 and will be available at **http://www.oig.dot.gov**.

In 2019, OST, the nine OAs, and OIG operated a total of 436 information systems, a decrease of 23 systems from the FY 2018 adjusted inventory. Of this total, 323 information systems are attributable to FAA, and 21 were identified as departmental high-value assets (HVAs). FAA's air traffic control system has been designated by the President as part of the critical national infrastructure, and the Delphi financial management system has been identified as a Federal HVA as a shared service provider to other departments and agencies. Other systems owned by DOT include safety-sensitive surface transportation systems and financial systems used to manage and disburse Federal funds each year.

As reviewed in FY 2019, DOT's cybersecurity program continues to have weaknesses and needs to make improvements in all functions of the National Institute of Standards and Technology (NIST) Cybersecurity Framework, including Identify, Protect, Detect, Respond, and Recover.

Consistent with its authorities under the Federal Information Technology Acquisition Reform Act (FITARA) and FISMA, the DOT Office of the Chief Information Officer (OCIO) continued the Agency's information technology (IT) transformation activity in FY 2019, with a focus on aggregation and centralization of commodity IT to achieve infrastructure, cost, and service efficiencies, and to reduce attack surface, cybersecurity, and privacy risks. Specific initiatives and accomplishments during FY 2019 included:

- Continued implementation of Information Security Continuous Monitoring (ISCM) over OA information systems, with 106 of the 459 systems converted to an ongoing authorization process;
- Continued support of integrated IT spending reviews for OAs subject to OCIO FITARA oversight, identifying potential duplication, misalignment, risks, and explicit gaps within OA cybersecurity programs and plans;
- Maintained performance on the Executive Order (E.O.) 13800 risk management assessment at an overall rating of "Managing Risk" as of the most recent FY 2019 Q3 assessment;
- Award of an enterprise-wide cybersecurity bulk purchase agreement (BPA) to improve internal controls, delivery of cybersecurity services and cyber outcomes, and reduction of cybersecurity risks;
- Expansion of DOT's agreement with the General Services Administration (GSA) for Login.gov authentication services to support systems operated by FMCSA and secretarial offices;
- Execution of crowd-sourced penetration tests against 10 information systems to cost-effectively identify vulnerabilities and assist OAs in the prioritization of remediation efforts;
- Performance of phishing exercises involving more than 10,000 employees and contractors across nine OAs and the OIG to raise awareness and educate personnel on phishing and the dangers of social engineering;
- Implementation of a data loss prevention solution to assess, categorize, and protect files on agency servers for up to 15,000 users as a measure to identify the presence of unsecured sensitive documents or unauthorized content for corrective action;
- Development and implementation of a modernized web vulnerability assessment capability and dashboard, which assessed 336 agency websites, provided visibility to agency senior leadership, and reduced critical weaknesses on Internet-facing websites by 72 percent; and
- Securing 71 percent of DOT websites with HTTPS/HSTS/TLS in accordance with Federal requirements, an increase from the 53 percent of sites secured at the same time last fiscal year.

For FY 2020, subject to the availability of resources, the Department plans to:

- Update the inventory of DOT HVA systems by January 17, 2020;
- Complete implementation of trusted e-mail as per DHS Binding Operational Directive (BOD) 18-01 for the remaining DOT domains not currently compliant with requirements by March 1, 2020;

- Update DOT cybersecurity policy to address legislative changes, NIST guidance, and audit recommendations by June 30, 2020;
- Complete implementation and execution of ongoing phishing exercises for multiple DOT OAs by September 30, 2020;
- Pilot modernization of existing anti-malware capabilities to deploy advanced endpoint detection and response software with data loss prevention capabilities by September 30, 2020;
- Enhance data loss prevention capabilities deployed in FY 2019 to pilot automated quarantine and remediation of unsecured or unauthorized content in response to both Federal requirements and audit recommendations by September 30, 2020;
- Update the DOT cybersecurity incident response plan to reflect updated requirements from DHS/Cybersecurity and Infrastructure Security Agency (CISA) and perform at least one cybersecurity exercise to evaluate the updated plan by September 30, 2020; and
- Complete the final components of DOT's Network Assessment Risk Mitigation (NARM) initiative to mitigate risks within the DOT network, modernize network operations, and provide improved visibility into network activity and anomalous events.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

DOT continues to improve the effectiveness and efficiency of its financial management systems and business processes through a shared services approach. DOT shared services are operated by the Enterprise Services Center (ESC) in Oklahoma City, Oklahoma. ESC provides both business operational support and financial management systems services to DOT and non-DOT customers. ESC continually works to streamline processes and standardize business activities to gain efficiencies.

In FY 2019, DOT deployed an electronic authentication (eAuthentication) integration with the General Services Administration's (GSA) login.gov to its grantee and vendor communities. eAuthentication allows users to access DOT's Electronic Invoicing (eInvoicing) customer portal through login.gov. The deployment of the eAuthentication solution eliminates a manual, paper-based access process that was time consuming and burdensome to eInvoicing users and program office staff.

The Department is working on key initiatives aimed at automating processes, strengthening internal controls, and improving financial reporting.

Robotic Process Automation (RPA)

In FY 2019, the Department began a pilot program to utilize commercially available RPA software to automate key manual processes related to financial transaction reporting and reconciliation to better utilize personnel, streamline business processes, and enhance internal controls. The Department plans to continue developing RPA pilot processes in preparation for deployment to its production environment in FY 2020.

Integration of Delphi and Departmental Procurement Platform (DP2)

In FY 2019, DOT completed its Department-wide rollout of DP2, which is fully integrated with Delphi. This integration between our procurement and financial systems improves internal controls by automating the funds control process and reduces the potential for error by automating the commitments and obligations processes. In addition, DP2 eliminates nearly all previous manual data entry steps, significantly increasing efficiency.

Expansion of Electronic Invoicing (eInvoicing)

During FY 2019, the Department continued implementation of its eInvoicing system to the vendor community. This system, currently used by DOT's grantees and participating pilot vendors, offers vendors the capability to submit and track invoices electronically through an online portal. Roll-out of eInvoicing to all Department vendors will continue through FY 2020.

DOT is completing work on an interface between Delphi and GSA's system of record for vendor information, SAM.gov. Deployment of the interface with SAM.gov is scheduled in the second quarter of FY 2020.

Once it is fully deployed, DOT's eInvoicing system will eliminate the manual entry of vendor and invoice data and will consolidate invoice approvals in Delphi, resulting in significant process improvements and efficiencies.

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

The DATA Act required the establishment and implementation of Government-wide financial data standards to provide consistent, reliable, and searchable spending data that is easily accessible and understandable to the public. DOT continued to meet all submission deadlines in FY 2019. In addition to providing detailed information to the public on Federal spending, DOT continued to evaluate internal processes to improve the quality of the data submitted.

Government Invoicing (G-Invoicing)

DOT began preparing for the implementation of Treasury's G-Invoicing system, which will automate intra-governmental buy-sell transactions. In FY 2019, DOT developed an implementation plan to document business process and system changes needed to implement G-Invoicing by June 2021.

SSAE-18 EXAMINATION ON DOT SYSTEMS

ESC is a shared service provider offering financial management systems and services to Federal agencies. ESC supports other Federal entities, including the Institute of Museum and Library Services, the U.S. Commodity Futures Trading Commission, the Consumer Product Safety Commission, the National Credit Union Administration, the U.S. Government Accountability Office (historical data), and the U.S. Securities and Exchange Commission. OMB requires shared service providers to provide client agencies with an independent auditors' report in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements 18 (SSAE-18) examination.

SSAE-18 includes a review of general, application, and operational controls over DOT's ESC. ESC performs services, including accounting, financial management, systems and implementation, media solutions, telecommunications, and data center for DOT and other Federal organizations.

Delphi is hosted, operated, and maintained by FAA employees at the Mike Monroney Aeronautical Center in Oklahoma City, OK, under the overall direction of the DOT Deputy Chief Financial Officer.

This year's SSAE-18 examination of Delphi for the period covering October 1, 2018 through June 30, 2019 was conducted by KPMG LLP. KPMG concluded that management presented its description of ESC controls fairly in all material respects and that the controls, as described, were suitably designed and operating effectively for all stated control objectives.

FINANCIAL REPORT

OFFICE OF INSPECTOR GENERAL QUALITY CONTROL REVIEW

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Memorandum

Date: November 18, 2019

Subject: ACTION: Quality Control Review of the Independent Auditor's Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2019 and 2018 | Report No. QC2020011

From: Calvin L. Scovel III
Inspector General

To: The Secretary

I respectfully submit the results of our quality control review (QCR) of the independent auditor's report on the Department of Transportation's (DOT) audited consolidated financial statements for fiscal years 2019 and 2018.

We contracted with the independent public accounting firm KPMG LLP to audit DOT's financial statements as of and for the fiscal years ended September 30, 2019, and September 30, 2018, and to report on internal control over financial reporting and compliance with laws and other matters. The contract requires the audit to be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Governmental Accountability Office's and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.[1]

We appreciate the cooperation and assistance of DOT's representatives and KPMG. If you have any questions about this report, please call me at (202) 366-1959, or Louis C. King, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407.

cc: DOT Audit Liaison, M-1
Federal Aviation Administrator
FAA Audit Liaison, AAE-001
Federal Railroad Administrator
FRA Audit Liaison, FRA-ROA-2

[1] *Financial Audit Manual*, volumes 1, 2, and 3, GAO-18-601G, GAO-18-625G, and GAO-18-626G, June 2018.

KPMG's Report

In its audit of the fiscal years 2019 and 2018 financial statements of DOT, KPMG reported that

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

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

The Significant Deficiencies

Weaknesses in general information technology controls. KPMG identified the following general information technology control (GITC) deficiencies at the application, database, and operating system levels for the system used to prepare the Environmental Remediation Liability amount in the Federal Aviation Administration's (FAA) financial statements:

- Review of audit logs was not documented to evidence appropriate and timely completion; and
- Monitoring controls were not operating effectively over the periodic review of access.

[2] The financial statements are included in the Agency's Financial Report (see attachment 3).
[3] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
[4] A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Weaknesses in controls over subsidy estimates for the Transportation Infrastructure Finance and Innovation Act (TIFIA) Direct Loan Program. KPMG found controls to ensure that direct loan subsidy re-estimates are appropriately calculated based on valid inputs were not operating effectively. Further controls were not operating effectively to ensure that cash flow projections used in the subsidy cost re-estimates were based on the best available information and reflected relevant and reliable data inputs.

Untimely Recognition of Grant Expenses at the Federal Railroad Administration (FRA). KPMG found controls were not properly designed and implemented to ensure that monthly expenses submitted by certain grantees are timely recorded by FRA and in the correct reporting period.

Recommendations

KPMG made the following recommendations to help strengthen FAA general information technology controls, TIFIA direct loan program controls, and FRA grant expense controls.

For the GITC deficiencies, KPMG recommended that FAA management design and implement procedures to consistently perform and document the following, as required by existing internal policies:

1. Application log reviews;
2. Database layer audit log reviews;
3. Operation system layer log reviews;
4. Application level user account access reviews; and
5. Operating system administrative account access reviews.

For the TIFIA direct load program deficiencies, KPMG recommended that Office of the Secretary management:

6. Design controls which are sufficiently precise to ensure that each of the data inputs which are key to the cash flow projections are defined (including for loans expected to reach the substantial disbursement threshold); control procedures are sufficiently designed and documented to ensure that the inputs are validated against source documents; and the inputs are accurate prior to the annual subsidy re-estimation in September.

For the grant expense deficiencies, KPMG recommended that FRA management:

7. Develop an accrual methodology for incurred but not submitted grantee expenses at year-end.
8. Develop a process to improve communications between the Grant Office and Office of Financial Services to ensure all available expense information is recorded in the proper reporting period.

Quality Control Review

In connection with the contract, we performed a QCR of KPMG's report, dated November 13, 2019, 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

On November 11, 2019, KPMG provided DOT with its draft report and received DOT's response dated November 13, 2019 (see attachment 2). DOT agreed with the deficiencies KPMG found.

DOT concurred with KPMG's eight recommendations and committed to developing a corrective action plan to address the deficiencies by December 31, 2019. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

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

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
United States Department of Transportation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the United States Department of Transportation ("Department" or "DOT"), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Department of Transportation as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matters

Interactive Data

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information sections be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The information in the Table of Contents, Foreword, Message from the Secretary, and Other Information sections is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2019, we considered the Department's internal control over financial reporting (internal control) to determine the 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.

KPMG

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Exhibit I as items 2019-01, 2019-02, and 2019-03 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2019 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 determination of financial statement amounts. 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. 19-03.

We also performed tests of its compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department's Response to Findings

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

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 13, 2019

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

EXHIBIT I
SIGNIFICANT DEFICIENCIES

2019-01 Weaknesses in General Information Technology Controls

Background

The Federal Aviation Administration (FAA) utilizes a site management tool system that tracks the environmental investigation, remediation, and regulatory closure status of the FAA's Environmental Cleanup Program sites. This system is used to prepare the Environmental Remediation Liability amount in the FAA financial statements.

Criteria

The U.S. General Accountability Office (GAO)'s Standards for Internal Control in the Federal Government, sets the standards for an effective internal control system and provides an overall framework for designing, implementing, and operating an effective internal control system. The standards require entities to design appropriate types of control activities to include limiting access to resources and records to authorized individuals, and to periodically compare resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration. In addition, the DOT Cyber Security Compendium, version 4.2, dated March 2018, provides DOT's policies, procedures, and controls related to the security of DOT information systems that support DOT's mission, operations, and assets.

Condition

We identified certain control deficiencies at the application, database, and operating system levels related to access controls as listed below:

- Reviews of audit logs were not documented to evidence appropriate and timely completion;
- Monitoring controls were not operating effectively over the periodic review of access.

Cause

Management has not established, or consistently implemented procedures to ensure compliance with internal policies.

Effect

The absence of timely reviews of audit logs, leaves the FAA exposed to the risk of delays in identifying and responding to incidents which could result in the exposure, modification, or loss of system data. Further, user accounts with inappropriate access may result in unauthorized use, disclosure, or modification of system data.

Recommendations

We recommend that FAA Management design and implement procedures to consistently perform and document the following, as required by existing internal policies:

1. Application log reviews;
2. Database layer audit log reviews;
3. Operating System layer log reviews;
4. Application level user account access reviews; and
5. Operating system administrative account access reviews.

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

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

2019-02 Weaknesses in Controls over Subsidy Estimates for the Transportation Infrastructure Finance and Innovation Act Direct Loan Program

Background

The Office of the Secretary (OST) manages the Transportation Infrastructure Finance and Innovation Act (TIFIA) programs which provide direct loans, loan guarantees and lines of credit for major transportation investments. In order to estimate the long term costs of such loans, an estimate (technical re-estimate) is developed to determine the subsidy costs associated with the direct loans. An internal review process exists over the re-estimates performed to ensure that the data inputs used are complete and accurate.

Criteria

Federal Accounting Standards Board (FASAB) Statement of Federal Financial Standards (SFFAS) 18: *Amendments to Accounting Standards for Direct Loans and Loan Guarantees in Statement of Federal Financial Accounting Standards No. 2*, paragraph 9, states credit programs should re-estimate the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees as required in this standard. There are two kinds of re-estimates: (a) interest rate re-estimates, and (b) technical/default re-estimates.

FASAB Technical Release 6: *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act-Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act*, states,

> 17. Agencies must accumulate sufficient relevant and reliable data on which to base cash flow projections. It is important to note that agencies should prepare all estimates and re-estimates based upon the best available data at the time the estimates are made. Agencies should prepare and report re-estimates of the credit subsidies, in accordance with SFFAS No. 2, 18, and 19, to reflect the most recent data available as discussed in the re-estimate section of this technical release. The OMB Circular A-11 also provides guidance on re-estimating credit subsidies. Guidance on the types of supporting documentation that is acceptable is found in paragraphs 20-22 of this technical release.
>
> 20. Documentation must be provided to support the assumptions used by the agency in the subsidy calculations. This documentation will not only facilitate the agency's review of the assumptions, a key internal control, it will also facilitate the auditor's review. Documentation should be complete and stand on its own, i.e., a knowledgeable independent person could perform the same steps and replicate the same results with little or no outside explanation or assistance.
>
> 40. The cash flow estimation process, including all underlying assumptions, should be reviewed and approved at the appropriate level including revisions and updates to the original model.

The U.S. General Accountability Office (GAO)'s Standards for Internal Control in the Federal Government, sets the standards for an effective internal control system and provides an overall framework for designing, implementing, and operating an effective internal control system. The standards require entities to design, "control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. As part of the risk assessment component, management identifies the risks related to the entity and its objectives, including its service organizations; the entity's risk tolerance; and risk responses. Management designs control activities to fulfill defined responsibilities and address identified risk responses."

Condition

Controls to ensure direct loan subsidy re-estimates are appropriately calculated based on valid inputs are not operating effectively. Further controls are not operating effectively to ensure that cash flow projections used in the subsidy cost re-estimates are based on the best available information and reflect relevant and reliable data inputs.

Cause

Management's existing controls to ensure the accuracy of relevant data inputs used in the subsidy cost estimate and re-estimate are not designed with the appropriate precision to identify, detect and correct errors in the input files prior to executing the subsidy re-estimate.

Effect

The TIFIA subsidy cost allowance may be misstated as a result of the incorrect data inputs and/or assumptions used in the calculation.

Recommendations

We recommend that OST management:

1. Design controls which are sufficiently precise to ensure that each of the data inputs which are key to the cash flow projections are defined (including for loans expected to reach the substantial disbursement threshold); control procedures are sufficiently designed and documented to ensure that the inputs are validated against source documents; and the inputs are accurate prior to the annual subsidy re-estimation in September.

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

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

2019-03 Untimely Recognition of Grant Expenses at the Federal Railroad Administration (FRA)

Background

The Federal Railroad Administration (FRA) provides advance payments to a grantee in accordance with the Fixing America's Surface Transportation (FAST) Act. On a monthly basis, the grantee submits a summary of expenses incurred against the advance to the FRA Grant Office. FRA requires the grantee provide these monthly expense summaries by the 27th of the following month. Once approved by the FRA Grant Office, the report is forwarded to the Office of Funds Administration for review and approval, where it is then routed to the Office of Financial Services for recording in the general ledger.

Criteria

Statement of Federal Financial Accounting Standards 1: *Accounting for Selected Assets and Liabilities* states:

> 59. Advances and prepayments should be recorded as assets. Advances and prepayments are reduced when goods or services are received, contract terms are met, progress is made under a contract, or prepaid expenses expire. A travel advance, for example, should be initially recorded as an asset and should be subsequently reduced when travel expenses are actually incurred.

Government Accountability Office (GAO), Standards for Internal Control in the Federal Government (Green Book) states:

> 10.03 Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of the transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

> 12.05 Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. Changes may occur in personnel, operational processes, or information technology. Regulators; legislators; and in the federal environment, the Office of Management and Budget and the Department of the Treasury may also change either an entity's objectives or how an entity is to achieve an objective. Management considers these changes in its periodic review.

Condition

Controls are not properly designed and implemented to ensure that monthly expenses submitted by certain grantees are recorded by FRA timely, and in the correct reporting period.

Cause

FRA does not record a year-end accrual for grant expenses incurred for months that expense summary reports are not submitted by the grantee. Further, there is a lack of timely communication between the FRA Grant Office and the Office of Financial Services to ensure processing and recording of current available expense information.

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

EXHIBIT I (Continued)
SIGNIFICANT DEFICIENCIES

Effect

The FRA may inappropriately exclude expenses incurred within the reporting period, or include expenses incurred outside of the reporting period. This could result in a misstatement in Advances and Prepayments, Expenses, Delivered Orders, and Undelivered Orders.

Recommendations

We recommend that FRA Management:

1. Develop an accrual methodology for incurred but not submitted grantee expenses at year-end.
2. Develop a process to improve communications between the Grant Office and Office of Financial Services to ensure all available expense information is recorded in the proper reporting period.

MANAGEMENT'S RESPONSE TO THE INDEPENDENT AUDITOR'S REPORT

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

Memorandum

Subject: Management's Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2019

NOV 13 2019

From: Lana Hurdle
Acting Chief Financial Officer and Assistant Secretary for Budget and Programs

To: Calvin L. Scovel, III
Inspector General, Department of Transportation

M. Hannah Padilla
Partner, KPMG LLP

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

We appreciate the recommendations from the auditors and we concur with the three significant deficiencies contained in the report. Corrective actions are underway and we will submit a detailed plan with estimated completion dates to the Inspector General no later than December 31, 2019.

I would like to thank your office for contributing to a strong internal control environment at DOT. We are committed to the continuous improvement of our financial management activities and your efforts directly support that commitment. Our combined efforts and teamwork made the difference in successfully meeting the objectives of the financial audit process.

Please refer questions to the Deputy Chief Financial Officer, Ms. Jennifer Funk (202-366-5628).

PRINCIPAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As of September 30, 2019 and 2018

Dollars in Thousands	2019	2018
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$44,081,720	$36,887,851
Investments, Net (Note 3)	45,642,343	57,780,741
Accounts Receivable (Note 4)	99,124	154,995
Advances and Prepayments (Note 5)	70,410	69,579
Total Intragovernmental	**89,893,597**	**94,893,166**
Accounts Receivable, Net (Note 4)	112,734	104,149
Direct Loan and Loan Guarantees, Net (Note 6)	21,728,966	17,081,395
Inventory and Related Property, Net (Note 7)	1,007,480	969,154
General Property, Plant and Equipment, Net (Note 8)	12,557,630	12,741,027
Advances, Prepayments, and Other Assets (Note 5)	918,914	1,422,725
Total Assets	**$126,219,321**	**$127,211,616**
Stewardship property, plant and equipment (Note 9)		
Liabilities (Note 10)		
Intragovernmental		
Accounts Payable	$29,806	$28,803
Debt (Note 11)	20,756,047	16,710,004
Other (Note 14)	2,149,568	1,353,951
Total Intragovernmental	**22,935,421**	**18,092,758**
Accounts Payable	585,844	609,683
Loan Guarantee Liability (Note 6)	156,859	88,118
Federal Employee Benefits Payable	849,291	869,087
Environmental and Disposal Liabilities (Note 12)	1,021,384	1,102,308
Grant Accrual (Note 13)	8,665,105	7,799,796
Other (Note 14)	1,393,738	1,454,357
Total Liabilities	**$35,607,642**	**$30,016,107**
Commitments and contingencies (Note 16)		
Net Position		
Unexpended Appropriations—Funds From Dedicated Collections (Combined) (Note 17)	$734,821	$1,089,345
Unexpended Appropriations—All Other Funds (Combined)	33,462,200	28,022,957
Cumulative Results of Operations—Funds From Dedicated Collections (Combined) (Note 17)	44,901,862	56,566,295
Cumulative Results of Operations—All Other Funds (Combined)	11,512,796	11,516,912
Total Net Position—Funds From Dedicated Collections (Combined)	**45,636,683**	**57,655,640**
Total Net Position—All Other Funds (Combined)	**44,974,996**	**39,539,869**
Total Net Position	**90,611,679**	**97,195,509**
Total Liabilities and Net Position	**$126,219,321**	**$127,211,616**

CONSOLIDATED STATEMENTS OF NET COST

For the periods ended September 30, 2019 and 2018

Dollars in Thousands	2019	2018
Program Costs		
Surface Transportation		
Gross Costs	$64,495,672	$61,897,507
Less: Earned Revenue	1,135,657	965,441
Net Program Costs	**63,360,015**	**60,932,066**
Air Transportation		
Gross Costs	18,048,806	17,272,671
Less: Earned Revenue	629,620	550,959
Net Program Costs	**17,419,186**	**16,721,712**
Maritime Transportation		
Gross Costs	909,421	921,871
Less: Earned Revenue	230,833	405,297
Net Program Costs	**678,588**	**516,574**
Cross-Cutting Programs		
Gross Costs	649,503	713,065
Less: Earned Revenue	261,375	251,042
Net Program Costs	**388,128**	**462,023**
Costs Not Assigned to Programs	243,547	228,575
Less: Earned Revenues Not Attributed to Programs	1,601	2,505
Net Cost of Operations	**$82,087,863**	**$78,858,445**

CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the periods ended September 30, 2019 and 2018

Dollars in Thousands	2019			2018		
	Dedicated Collections (Combined)	All Other Funds (Combined)	Total	Dedicated Collections (Combined)	All Other Funds (Combined)	Total
Unexpended Appropriations						
Beginning Balance	$1,089,345	$28,022,957	$29,112,302	$1,002,687	$20,264,564	$21,267,251
Budgetary Financing Sources						
Appropriations Received (Note 1W)	577,358	14,630,280	15,207,638	1,360,754	15,587,589	16,948,343
Appropriations Transferred-in/(out)	—	10,000	10,000	(199)	11,039	10,840
Other Adjustments	(37,892)	(27,165)	(65,057)	(23,874)	(48,604)	(72,478)
Appropriations Used	(893,990)	(9,173,872)	(10,067,862)	(1,250,023)	(7,791,631)	(9,041,654)
Total Budgetary Financing Sources	(354,524)	5,439,243	5,084,719	86,658	7,758,393	7,845,051
Total Unexpended Appropriations	**734,821**	**33,462,200**	**34,197,021**	**1,089,345**	**28,022,957**	**29,112,302**
Cumulative Results of Operations						
Beginning Balance	56,566,295	11,516,912	68,083,207	67,251,593	10,961,323	78,212,916
Budgetary Financing Sources						
Other Adjustments	—	(130)	(130)	177	—	177
Appropriations Used	893,990	9,173,872	10,067,862	1,250,023	7,791,631	9,041,654
Nonexchange Revenue (Note 18)	60,890,512	27,005	60,917,517	59,520,102	21,905	59,542,007
Donations/Forfeitures of Cash/ Cash Equivalents	1,567	—	1,567	4,959	—	4,959
Transfers-in/(out) Without Reimbursement	(10,989)	58,308	47,319	107,406	(25,367)	82,039
Other Financing Sources (Nonexchange)						
Donations and Forfeitures of Property	—	158,636	158,636	—	36,568	36,568
Transfers-in/(out) Without Reimbursement	(1,208,007)	1,209,203	1,196	(1,031,300)	1,068,191	36,891
Imputed Financing	422,546	106,494	529,040	375,582	105,916	481,498
Other	(66)	(1,303,627)	(1,303,693)	97	(497,154)	(497,057)
Total Financing Sources	**60,989,553**	**9,429,761**	**70,419,314**	**60,227,046**	**8,501,690**	**68,728,736**
Net Cost of Operations	72,653,986	9,433,877	82,087,863	70,912,344	7,946,101	78,858,445
Net Change	(11,664,433)	(4,116)	(11,668,549)	(10,685,298)	555,589	(10,129,709)
Cumulative Results of Operations	**44,901,862**	**11,512,796**	**56,414,658**	**56,566,295**	**11,516,912**	**68,083,207**
Net Position	**$45,636,683**	**$44,974,996**	**$90,611,679**	**$57,655,640**	**$39,539,869**	**$97,195,509**

COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the periods ended September 30, 2019 and 2018

Dollars in Thousands	2019		2018	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources (Note 19)				
Unobligated Balance From Prior Year Budget Authority, Net	$57,176,824	$140,292	$50,120,181	$506,242
Appropriations (Note 1W)	29,243,294	—	30,865,941	—
Borrowing Authority	—	3,259,505	—	3,037,732
Contract Authority	60,679,266	—	59,412,220	—
Spending Authority From Offsetting Collections	12,101,384	536,552	11,205,930	414,604
Total Budgetary Resources	**$159,200,768**	**$3,936,349**	**$151,604,272**	**$3,958,578**
Status of Budgetary Resources				
New Obligations and Upward Adjustments	$98,811,175	$3,631,140	$96,122,045	$3,778,173
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	39,063,239	29,817	35,289,640	11,155
Unapportioned, Unexpired Accounts	21,078,697	275,392	19,973,087	169,250
Unexpired Unobligated Balance, End of Year	60,141,936	305,209	55,262,727	180,405
Expired Unobligated Balance, End of Year	247,657	—	219,500	—
Unobligated Balance, End of Year	**60,389,593**	**305,209**	**55,482,227**	**180,405**
Total Budgetary Resources	**$159,200,768**	**$3,936,349**	**$151,604,272**	**$3,958,578**
Outlays, Net				
Outlays, Net	$81,922,918	$3,920,599	$80,722,462	$2,564,347
Distributed Offsetting Receipts	(1,244,815)	—	(2,248,775)	—
Agency Outlays, Net	**$80,678,103**	**$3,920,599**	**$78,473,687**	**$2,564,347**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The U.S. Department of Transportation (DOT or Department) serves as the strategic focal point in the Federal Government's national transportation plan. It partners with cities and States to meet local and national transportation needs by providing financial and technical assistance; ensuring the safety of all transportation modes; protecting the interests of the American traveling public; promoting international transportation treaties; and conducting planning and research for the future.

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

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

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

Pursuant to the Surface Transportation Board Reauthorization Act of 2015 (P.L. 114-110), as of October 1, 2015, the Surface Transportation Board (STB) became an independent agency and is no longer an Operating Administration of the DOT. For reporting purposes, the expired STB Treasury Appropriation/Fund Symbols for FY 2015 and prior will remain on DOT's books and records until canceled, as these funds were appropriated to DOT and obligated as such.

B. BASIS OF PRESENTATION

The consolidated financial statements have been prepared to report the Department's financial position and results of operations, as required by the Chief Financial Officers Act of 1990 (CFO Act) and Title IV of the Government Management Reform Act of 1994. The statements have been prepared from the DOT books and records in accordance with Office of Management and Budget (OMB) form and content requirements for entity financial statements and DOT's accounting policies and procedures. Material intradepartmental transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Combined Statement of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular A-136, *Financial Reporting Requirements*, as revised, and as such, intraentity transactions have not been eliminated. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets and certain accompanying notes to the consolidated financial statements present agency assets, liabilities, and net position (which equals total assets minus total liabilities) as of the reporting dates. Agency assets substantially consist of entity assets (those which are available for use by the agency). Nonentity assets (those which are managed by the agency, but not available for use in its operations) are immaterial to the consolidated financial statements taken as a whole. Agency liabilities include both those covered by budgetary resources (funded) and those not covered by budgetary resources (unfunded).

The Consolidated Statements of Net Cost present the gross costs of programs, less earned revenue, to arrive at the net cost of operations, for both the programs and the Department, as a whole for the reporting periods.

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

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available, as well as the status of budgetary resources at the end of the reporting periods. Recognition and measurement of budgetary information reported on these statements is based on budget terminology, definitions, and guidance presented in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated June 2019.

A Statement of Custodial Activity is not presented as DOT custodial activity is incidental to departmental operations and is not considered material to the consolidated financial statements taken as a whole. DOT custodial activity is presented in Note 20.

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

DOT accounts for dedicated collections separately from other funds. Funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources which remain available over time. Funds from dedicated collections are required, by statute, to be used for designated activities, benefits or purposes.

C. BUDGETS AND BUDGETARY ACCOUNTING

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated June 2019. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, the U.S. Congress (Congress) provides budget authority, primarily in the form of appropriations, to the DOT Operating Administrations to incur obligations in support of agency programs. For FY 2019 and FY 2018, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity, borrowing authority, and contract authority. DOT recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through warrants and trust fund transfers.

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

D. BASIS OF ACCOUNTING

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

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

E. FUND BALANCE WITH TREASURY

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

F. INVESTMENTS IN U.S. GOVERNMENT SECURITIES

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

G. RECEIVABLES

Accounts Receivable

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies and, with the exception of occasional billing disputes, are considered to be fully collectible. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department’s regulatory activities. Amounts due from the public are presented, net of an allowance for loss on uncollectible accounts, which is based on historical collection experience and/or an analysis of the individual receivables.

Loans Receivable

Loans are accounted for as receivable after funds have been disbursed. Loans obligated after September 30, 1991, are reduced by an allowance equal to the present value of the subsidy costs (resulting from the interest rate differential between the loans and U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

H. INVENTORY AND RELATED OPERATING MATERIALS AND SUPPLIES

Within the FAA's Franchise Fund, inventory is held for sale to the FAA field locations and other domestic entities and foreign governments. Inventory consists of materials and supplies that the FAA uses to support our nation's airspace system and is predominantly located at the FAA Mike Monroney Aeronautical Center in Oklahoma City. Inventory costs include material, labor, and applicable manufacturing overhead.

Inventory held for sale includes both purchased inventory and refurbished inventory. Inventory held for sale is valued using historical cost, applying the moving average cost flow method. The moving average cost flow method is an inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

FAA field locations frequently exchange non-operational repairable units with the Franchise Fund. These components are classified as "held for repair" and valued using the direct method.

Inventory may be deemed to be “excess, obsolete, and unserviceable” if, for example, the quantity exceeds projected demand for the foreseeable future or if the item has been technologically surpassed. The “excess, obsolete, and unserviceable” inventory is determined to have no residual net realizable value, therefore, a loss is recognized to write off the inventory in the current period.

Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. They are valued based on the latest acquisition cost. Operating materials and supplies are expensed using the consumption method of accounting. Operating materials and supplies may be classified as excess, obsolete, and unserviceable and an allowance is established based on the condition of various asset categories and historical experience with disposing of such assets.

I. PROPERTY AND EQUIPMENT

DOT Operating Administrations have varying methods of determining the value of general purpose property and equipment and how it is depreciated. DOT currently has a capitalization threshold of $200 thousand for structures and facilities and for internal use software, and $100 thousand for other property, plant and equipment. Capitalization at lesser amounts is permitted. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect cost. The straight line method is used to depreciate capitalized assets.

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

J. ADVANCES AND PREPAYMENTS

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

K. LIABILITIES

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities, which are covered by available budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from transactions other than contracts. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources (i.e. custodial collections).

L. GRANT ACCRUAL

The Department records an obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their grant agreement, they request payment by the DOT, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. The DOT also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. Grant expenses, including associated administrative costs, are classified on the Consolidated Statements of Net Cost.

M. CONTINGENCIES

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimable). Contingent liabilities that are considered remote are not disclosed. DOT recognizes material contingent liabilities in the form of claims, legal actions, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid from the Judgment Fund administered by the U.S. Treasury.

The Department has entered into contractual commitments that require future use of financial resources, specifically for long-term lease obligations. The Department is committed to various leases primarily covering administrative office space, technical facilities and fleet vehicles with GSA and other vendors, when granted the authority. Specifically, FAA and MARAD have general procurement provisions, pursuant to 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, the Department intends to remain in the leases. Depending on terms, the leases are either recorded as capital or operating leases (See Note 15).

N. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements, including the National Air Traffic Controllers Association (NATCA) agreement, Article 25, Section 13. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned and not taken. Nonvested leave is expensed when used.

O. RETIREMENT PLAN

For DOT employees who participate in the Civil Service Retirement System (CSRS), DOT contributes a matching contribution equal to 7 percent of pay. On January 1, 1987, Federal Employee Retirement System (FERS) went into effect pursuant to Public Law (P.L.) 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired after December 31, 1983, DOT also contributes the employer's matching share for Social Security.

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

P. FEDERAL EMPLOYEES HEALTH BENEFIT (FEHB) PROGRAM

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

Q. FEDERAL EMPLOYEES GROUP LIFE INSURANCE (FEGLI) PROGRAM

Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and the Department pays one-third of the cost. OPM administers this program and is responsible for reporting the related liabilities. OPM calculates the U.S. Government's service cost for the postretirement portion of the basic life coverage each fiscal year. Because OPM fully allocates the Department's contributions for basic life coverage to the preretirement portion of coverage, the Department has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost.

R. FEDERAL EMPLOYEES COMPENSATION ACT (FECA) BENEFITS

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

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

S. ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

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

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

T. INTER-ENTITY COSTS

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the DOT are recognized as imputed cost in the Statement of Net Cost, and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

U. USE OF ESTIMATES

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

Significant estimates underlying the accompanying financial statements include the accruals of accounts and grants payable, and accrued legal, contingent, environmental, and disposal liabilities. Additionally, the Federal Credit Reform Act of 1990 (FCRA) requires the Department to use estimates in determining the reported amount of direct loan and loan guarantees, the loan guarantee liability and the loan subsidy costs associated with future loan performance.

V. ALLOCATION TRANSFERS

DOT is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a recipient (child) entity. Allocation transfers are legal delegations by one Federal agency of its authority to obligate budget authority and outlay funds to another Federal agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequent obligations and outlays incurred by the receiving entity (child) are charged to this allocation account as the delegated activity is executed on the parent entity's behalf. All financial activity related to these allocation transfers (e.g. budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

DOT allocates funds, as the parent agency, to the following non-DOT Federal agencies in accordance with applicable public laws and statutes: U.S. Bureau of Indian Affairs, U.S. Bureau of Reclamation, U.S. Forest Service, U.S. National Park Service, U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Department of the Army, Appalachian Regional Commission, 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, and the U.S. Department of the Air Force.

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 Agriculture, 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, and the U.S. Department of Defense (DoD). This activity is included in the financial statements of the parent agency and is not included in the DOT financial statements.

W. REVENUES AND OTHER FINANCING SOURCES

Funds from Dedicated Collections Excise Tax Revenues (Nonexchange)

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

The DOT September 30, 2019 financial statements reflect excise taxes certified by the IRS through June 30, 2019 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2019 to September 30, 2019, as specified by FASAB Statement of Federal Financial Accounting Standard (SFFAS) Number 7, Accounting for Revenue and Other Financing Sources. The HTF and AATF receive their budget authority in the form of contract authority and direct appropriations. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

Appropriations (Financing Source)

DOT receives annual, multiyear and no-year appropriations. Appropriations are recognized as financing sources when related program and administrative expenses are incurred. Additional amounts are obtained from offsetting collections and user fees (e.g., overflight fees and registry certification fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is received from gifts of donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans and cash disbursements to banks. Interest income is recognized as revenue on the accrual basis rather than when received.

On September 29, 2017, President Trump signed the Disaster Tax Relief and Airport and Airway Extension Act of 2017 which extended the FAA's programmatic and financing authorities, the Airport Improvement Program contract authority, and the authority to collect and deposit excise taxes into and make expenditures from the AATF to March 31, 2018. On March 23, 2018, President Trump signed the Consolidated Appropriations Act for FY 2018 (P.L. 115-141) which further extended the AATF authorization to September 30, 2018. On September 29, 2018, President Trump signed the Airport and Airway Extension Act of 2018, Part II (P.L. 115-250) which further extended the AATF authorization to October 7, 2018. On October 5, 2018, President Trump signed the FAA Reauthorization Act of 2018 (P.L. 115-254) which extended the AATF authorizations and related revenue authorities to September 30, 2023.

On December 4, 2015, former President Obama signed, into law, the Fixing America's Surface Transportation Act, or "FAST Act", (P.L. 114-94) providing funding for surface transportation through September 30, 2020. In FY 2019 and 2018, there were no new General Fund resources provided for the Highway Trust Fund.

In the period between October 1, 2018 and February 14, 2019, the Department was under a Continuing Resolution which was eventually superseded by the 2019 Appropriations Act (P.L. 116-6), signed into law by the President on February 15, 2019.

On February 9th, 2018, the President signed the Bipartisan Budget Act of 2018 (P.L. 115-123), which, among other things, appropriated $1.8 billion to several DOT Operating Administrations for disaster assistance related to Hurricanes Harvey, Irma, and Maria; and wildfires that occurred in 2017. On June 6, 2019, the President signed the Additional Supplemental Appropriations for Disaster Relief Act of 2019 (P.L. 116-20), which appropriated $1.7 billion to several DOT Operating Administrations for disaster assistance related to major declared disasters occurring in calendar year 2018.

Effective October 1, 2019, the DOT is operating under a continuing resolution (CR), P.L. 116-59, to continue Government operations. The CR will be in effect through November 21, 2019 predominantly at FY 2018 levels.

X. FIDUCIARY ACTIVITIES

Fiduciary assets and liabilities are not assets and liabilities of the Department and, as such, are not recognized on the Balance Sheet. The MARAD Title XI Escrow Fund contains fiduciary activity as detailed in Note 22.

Y. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation. Specifically, due to revisions in OMB Circular A-136 Financial Reporting Requirements in FY 2019, certain notes to the consolidated financial statements have been reclassified to conform to changes in reporting requirements. These reclassifications have no effect on total assets, liabilities, net cost, change in net position or budgetary resources as previously reported.

Z. TAXES

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

AA. CLASSIFIED ACTIVITIES

The Federal Accounting Standards Advisory Board (FASAB) issued Statement of Federal Financial Accounting Standards (SFFAS) 56, Classified Activities, in October 2018, which is effective for FY 2019. SFFAS 56 requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balances With Treasury as of September 30, 2019 and 2018 consist of the following:

Dollars in Thousands	2019	2018
Status of Fund Balance With Treasury		
Unobligated Balance		
Available	$33,920,409	$29,423,763
Unavailable	3,639,935	2,752,430
Obligated Balance Not Yet Disbursed	6,137,886	4,472,710
Non-Budgetary Fund Balance With Treasury	383,490	238,948
Total	**$44,081,720**	**$36,887,851**

Fund Balances with Treasury are the aggregate amounts of the Department's accounts with Treasury for which the Department is authorized to make expenditures and pay liabilities.

Unobligated fund balances are reported as not available when the balance is not legally available for obligation. However, balances that are not available can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period. Obligated Balance not yet Disbursed includes unpaid obligations offset by investments, contract authority, and uncollected customer payments from other federal government accounts. Therefore, the unobligated and obligated balances presented will not agree to related amounts reported on the Combined Statements of Budgetary Resources.

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

NOTE 3. INVESTMENTS

Investments as of September 30, 2019 consist of the following:

Dollars in Thousands	COST	AMORTIZED DISCOUNT	INVESTMENTS (NET)	MARKET VALUE
Intragovernmental Securities				
Marketable	$50,207	$(561)	$49,646	$50,046
Non-Marketable Par Value	43,210,424	—	43,210,424	43,210,424
Non-Marketable Market-Based	2,292,830	(10,590)	2,282,240	2,291,825
Subtotal	**45,553,461**	**(11,151)**	**45,542,310**	**45,552,295**
Accrued Interest Receivable	100,033	—	100,033	—
Total	**$45,653,494**	**$(11,151)**	**$45,642,343**	**$45,552,295**

Investments as of September 30, 2018 consist of the following:

Dollars in Thousands	COST	AMORTIZED DISCOUNT	INVESTMENTS (NET)	MARKET VALUE
Intragovernmental Securities				
Marketable	$39,156	$(256)	$38,900	$38,006
Non-Marketable Par Value	55,423,869	—	55,423,869	55,423,869
Non-Marketable Market-Based	2,249,669	(11,678)	2,237,991	2,212,635
Subtotal	**57,712,694**	**(11,934)**	**57,700,760**	**57,674,510**
Accrued Interest Receivable	79,981	—	79,981	—
Total	**$57,792,675**	**$(11,934)**	**$57,780,741**	**$57,674,510**

Investments include nonmarketable par value and market-based Treasury securities and marketable securities issued by the Treasury. Nonmarketable par value Treasury securities are issued by the Bureau of Fiscal Service to Federal accounts and are purchased and redeemed at par exclusively through Treasury's Federal Investment Branch. Nonmarketable market-based Treasury securities are also issued by the Bureau of Fiscal Service to Federal accounts. They are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market. Marketable Federal securities can be bought and sold on the open market. The premiums and discounts are amortized over the life of the nonmarketable market-based and marketable securities using the interest method.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with dedicated collections. The cash receipts collected from the public that meet the definition of dedicated collections are deposited in the U.S. Treasury, which uses the cash for Government purposes. Nonmarketable par value Treasury securities are issued to DOT as evidence of these receipts. These securities provide DOT with authority to draw upon the U.S. Treasury to make future expenditures. When DOT requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures, in the same way that the Government finances all other expenditures.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2019 consist of the following:

Dollars in Thousands	GROSS AMOUNT DUE	ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS	NET AMOUNT DUE
Intragovernmental			
Accounts Receivable	$99,124	$—	$99,124
Total Intragovernmental	**99,124**	**—**	**99,124**
Public			
Accounts Receivable	165,798	(54,299)	111,499
Accrued Interest	3,921	(2,686)	1,235
Total Public	**169,719**	**(56,985)**	**112,734**
Total Accounts Receivable	**$268,843**	**$(56,985)**	**$211,858**

The gross amount of accounts receivable and the estimate of net realizable value related to criminal restitution was $82 thousand in FY 2019 and $33 thousand in FY 2018.

Accounts Receivable as of September 30, 2018 consist of the following:

Dollars in Thousands	GROSS AMOUNT DUE	ALLOWANCE FOR UNCOLLECTIBLE AMOUNTS	NET AMOUNT DUE
Intragovernmental			
Accounts Receivable	$154,995	$—	$154,995
Total Intragovernmental	**154,995**	**—**	**154,995**
Public			
Accounts Receivable	149,497	(46,311)	103,186
Accrued Interest	3,262	(2,299)	963
Total Public	**152,759**	**(48,610)**	**104,149**
Total Accounts Receivable	**$307,754**	**$(48,610)**	**$259,144**

NOTE 5. ADVANCES, PREPAYMENTS AND OTHER ASSETS

Advances, Prepayments, and Other Assets consist of the following as of September 30, 2019 and 2018:

Dollars in Thousands	2019	2018
Intragovernmental		
Advances and Prepayments	$70,410	$69,579
Total Intragovernmental Other Assets	**$70,410**	**$69,579**
Public		
Advances to States for Right of Way	$258	$260
Advances and Prepayments	918,571	1,422,379
Other	85	86
Total Public Other Assets	**$918,914**	**$1,422,725**

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received. Public Other Assets are comprised of advances to States, employees, grantees, and contractors, for expenses not yet incurred and services not yet received.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

The Federal Credit Reform Act of 1990 divides direct loans and loan guarantees into two groups:

- **Pre-1992—**Direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees; and
- **Post-1991—**Direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees.

The act, as amended, governs direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans and loan guarantees. Consistent with the act, SFFAS number 2, *Accounting for Direct Loans and Loan Guarantees*, requires Federal agencies to recognize the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults [net of recoveries], fee offsets, and other cash flows) as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value. Foreclosed property is valued at the net realizable value. The value of assets for direct loans and defaulted guaranteed loans is not the same as the proceeds that would be expected from the sale of the loans. DOT does not have any loans obligated prior to FY 1992.

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

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

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

- The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified ship owners and shipyards. Approved applicants are provided the benefit of long-term financing at stable interest rates.
- The OST Minority Business Resource Center Guaranteed Loan Program helps small businesses gain access to the financing needed to participate in transportation-related contracts.

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	2019 LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY COST (PRESENT VALUE)	VALUE OF ASSETS RELATED TO DIRECT LOANS, NET
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$1,231,295	$38	$—	$(250,874)	$980,459
(2) TIFIA Loans	19,735,332	—	166,635	628,697	20,530,664
Total	**$20,966,627**	**$38**	**$166,635**	**$377,823**	**$21,511,123**

Dollars in Thousands	2018 LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY COST (PRESENT VALUE)	VALUE OF ASSETS RELATED TO DIRECT LOANS, NET
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$506,576	$—	$—	$(98,509)	$408,067
(2) TIFIA Loans	16,492,138	—	166,635	(235,068)	16,423,705
Total	**$16,998,714**	**$—**	**$166,635**	**$(333,577)**	**$16,831,772**

TOTAL AMOUNT OF DIRECT LOANS DISBURSED (POST-1991)

Dollars in Thousands	2019	2018
Direct Loan Programs		
(1) Railroad Rehabilitation Improvement Program	$736,491	$—
(2) TIFIA Loans	3,363,596	2,629,508
Total	**$4,100,087**	**$2,629,508**

SUBSIDY EXPENSE FOR DIRECT LOANS BY PROGRAM AND COMPONENT

Subsidy Expense for New Direct Loans Disbursed

Dollars in Thousands	2019 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER SUBSIDY COSTS	TOTAL
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$—	$24,316	$(24,316)	$(6,452)	$(6,452)
(2) TIFIA Loans	—	201,369	—	—	201,369
Total	**$—**	**$225,685**	**$(24,316)**	**$(6,452)**	**$194,917**

Dollars in Thousands	2018 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER SUBSIDY COSTS	TOTAL
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	$—	$—	$—	$—	$—
(2) TIFIA Loans	—	253,633	—	(124)	253,509
Total	**$—**	**$253,633**	**$—**	**$(124)**	**$253,509**

Modifications and Reestimates

Dollars in Thousands	2019 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
Direct Loan Programs				
(1) Railroad Rehabilitation Improvement Program	$16,723	$—	$135,151	$135,151
(2) TIFIA Loans	—	(638,083)	(435,313)	(1,073,396)
Total	**$16,723**	**$(638,083)**	**$(300,162)**	**$(938,245)**

Dollars in Thousands	2018 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
Direct Loan Programs				
(1) Railroad Rehabilitation Improvement Program	$—	$—	$22,080	$22,080
(2) TIFIA Loans	1,535	(262,279)	16,543	(245,736)
Total	**$1,535**	**$(262,279)**	**$38,623**	**$(223,656)**

Total Direct Loan Subsidy Expense

Dollars in Thousands	2019	2018
Direct Loan Programs		
(1) Railroad Rehabilitation Improvement Program	$145,422	$22,080
(2) TIFIA Loans	(872,027)	9,308
Total	**$(726,605)**	**$31,388**

BUDGET SUBSIDY RATES FOR DIRECT LOANS FOR THE CURRENT YEAR COHORT

	2019 INTEREST DIFFERENTIAL	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
Direct Loan Programs					
(1) Railroad Rehabilitation Improvement Program	-1.19%	4.12%	-2.93%	0.00%	0.00%
(2) TIFIA Loans Risk Category 1	0.22%	6.08%	0.00%	0.00%	6.30%

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	2019	2018
Beginning Balance, Changes, and Ending Balance		
Beginning Balance of the Subsidy Cost Allowance	$333,577	$258,280
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	225,685	253,633
Fees and Other Collections	(24,316)	—
Other Subsidy Costs	(6,452)	(124)
Total of the Above Subsidy Expense Components	**194,917**	**253,509**
Adjustments		
Loan modifications	16,723	1,535
Subsidy Allowance Amortization	(9,111)	43,909
Other	24,316	—
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**560,422**	**557,233**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(638,083)	(262,279)
Technical/Default Reestimate	(300,162)	38,623
Total of the Above Reestimate Components	**(938,245)**	**(223,656)**
Ending Balance of the Subsidy Cost Allowance	**$(377,823)**	**$333,577**

The economic assumptions of the TIFIA upward and downward reestimates were the result of a reassessment of risk levels as well as estimated changes in future cash flows on loans. Actual interest rates used for FY 2019 loan disbursements were lower than the interest rate assumptions used during the budget formulation process at loan origination. The significant downward interest rate reestimate resulted from a combination of the lower actual interest rates used and the large loan disbursement amounts made over this time period.

The Railroad Rehabilitation Improvement Program's upward and downward reestimates were the result of an update for actual cash flows and changes in technical assumptions.

GUARANTEED LOANS

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

Dollars in Thousands	2019 DEFAULTED GUARANTEED LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY	ASSETS RELATED TO DEFAULT GUARANTEED LOANS RECEIVABLE, NET
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$216,634	$—	$1,209	$—	$217,843
(4) OST Minority Business Resource Center	480	15	—	(495)	—
Total	**$217,114**	**$15**	**$1,209**	**$(495)**	**$217,843**

Dollars in Thousands	2018 DEFAULTED GUARANTEED LOANS RECEIVABLE, GROSS	INTEREST RECEIVABLE	FORECLOSED PROPERTY	ALLOWANCE FOR SUBSIDY	ASSETS RELATED TO DEFAULT GUARANTEED LOANS RECEIVABLE, NET
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$249,623	$—	$—	$—	$249,623
(4) OST Minority Business Resource Center	480	15	—	(495)	—
Total	**$250,103**	**$15**	**$—**	**$(495)**	**$249,623**

GUARANTEED LOANS OUTSTANDING

Dollars in Thousands	2019 OUTSTANDING PRINCIPAL OF GUARANTEED LOANS, FACE VALUE	AMOUNT OF OUTSTANDING PRINCIPAL GUARANTEED
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$1,417,501	$1,417,501
(4) OST Minority Business Resource Center	568	426
Total	**$1,418,069**	**$1,417,927**

New Guaranteed Loans Disbursed

Dollars in Thousands	2019 OUTSTANDING PRINCIPAL OF GUARANTEED LOANS, FACE VALUE	AMOUNT OF OUTSTANDING PRINCIPAL GUARANTEED
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$193,113	$193,113
(4) OST Minority Business Resource Center	—	—
Total	**$193,113**	**$193,113**

Dollars in Thousands	2018 OUTSTANDING PRINCIPAL OF GUARANTEED LOANS, FACE VALUE	AMOUNT OF OUTSTANDING PRINCIPAL GUARANTEED
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$203,927	$203,927
(4) OST Minority Business Resource Center	—	—
Total	**$203,927**	**$203,927**

Liability for Loan Guarantees (Present Value Method)

Dollars in Thousands	2019 LIABILITIES FOR POST-1991 GUARANTEES, PRESENT VALUE
Loan Guarantee Programs	
(3) Federal Ship Financing Fund (Title XI)	$156,635
(4) OST Minority Business Resource Center	224
Total	**$156,859**

Subsidy Expense for Loan Guarantees by Program and Component

Dollars in Thousands	2019 INTEREST SUPPLEMENTS	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$—	$30,962	$(12,422)	$—	$18,540
(4) OST Minority Business Resource Center	—	—	—	—	—
Total	**$—**	**$30,962**	**$(12,422)**	**$—**	**$18,540**

Dollars in Thousands	2018 INTEREST SUPPLEMENTS	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI)	$—	$33,187	$(13,154)	$—	$20,033
(4) OST Minority Business Resource Center	—	—	—	—	—
Total	**$—**	**$33,187**	**$(13,154)**	**$—**	**$20,033**

Modifications and Reestimates

Dollars in Thousands	2019 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
Loan Guarantee Programs				
(3) Federal Ship Financing Fund (Title XI)	$—	$—	$46,317	$46,317
(4) OST Minority Business Resource Center	—	—	126	126
Total	**$—**	**$—**	**$46,443**	**$46,443**

Dollars in Thousands	2018 TOTAL MODIFICATIONS	INTEREST RATE REESTIMATES	TECHNICAL REESTIMATES	TOTAL REESTIMATES
Loan Guarantee Programs				
(3) Federal Ship Financing Fund (Title XI)	$—	$—	$(16,427)	$(16,427)
(4) OST Minority Business Resource Center	—	—	(14)	(14)
Total	**$—**	**$—**	**$(16,441)**	**$(16,441)**

TOTAL LOAN GUARANTEE SUBSIDY EXPENSE

Dollars in Thousands	2019	2018
Loan Guarantee Programs		
(3) Federal Ship Financing Fund (Title XI)	$64,857	$3,606
(4) OST Minority Business Resource Center	126	(14)
Total	**$64,983**	**$3,592**

BUDGET SUBSIDY RATES FOR LOAN GUARANTEES FOR THE CURRENT YEAR COHORT

Dollars in Thousands	2019 INTEREST SUPPLEMENTS	DEFAULTS	FEES AND OTHER COLLECTIONS	OTHER	TOTAL
Loan Guarantee Programs					
(3) Federal Ship Financing Fund (Title XI) Risk Category 4	0.00%	15.69%	-6.22%	0.00%	9.47%
(4) OST Minority Business Resource Center	0.00%	0.00%	0.00%	0.00%	0.00%

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

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES POST-1991 LOAN GUARANTEES

Dollars in Thousands	2019	2018
Beginning Balance, Changes, and Ending Balance		
Beginning Balance of the Loan Guarantee Liability	$88,118	$75,858
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	30,962	33,187
Fees and Other Collections	(12,422)	(13,154)
Total of the Above Subsidy Expense Components	**18,540**	**20,033**
Adjustments		
Fees Received	15,974	12,938
Foreclosed Property and Loans Acquired	—	249,623
Claim Payments to Lenders	—	(247,989)
Interest Accumulation on the Liability Balance	(12,216)	1
Other	—	(5,905)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**110,416**	**104,559**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	—	—
Technical/Default Reestimate	46,443	(16,441)
Total of the Above Reestimate Components	**46,443**	**(16,441)**
Ending Balance of the Subsidy Cost Allowance	**$156,859**	**$88,118**

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

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2019, is subject to future market and economic conditions. DOT continues to evaluate market risks in light of evolving economic conditions. The impact of such risks on DOT's portfolio reserves, if any, cannot be fully known at this time and could cause results to differ from estimates. Under the Federal Credit Reform Act, reserve reestimates are automatically covered by permanent indefinite budget authority, thereby providing DOT with sufficient resources to cover losses incurred without further Congressional action.

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2019 consists of the following:

Dollars in Thousands	COST	ALLOWANCE FOR LOSS	NET
Inventory			
Inventory Held for Current Sale	$254,582	$—	$254,582
Inventory Held for Repair	394,302	—	394,302
Other	41,664	—	41,664
Total Inventory	**690,548**	**—**	**690,548**
Operating Materials and Supplies			
Items Held for Use	255,004	(2,201)	252,803
Items Held in Reserve for Future Use	40,723	—	40,723
Excess, Obsolete and Unserviceable Items	4,728	(2,933)	1,795
Items Held for Repair	40,472	(18,861)	21,611
Total Operating Materials & Supplies	**340,927**	**(23,995)**	**316,932**
Total Inventory and Related Property			**$1,007,480**

Inventory and Related Property as of September 30, 2018 consists of the following:

Dollars in Thousands	COST	ALLOWANCE FOR LOSS	NET
Inventory			
Inventory Held for Current Sale	$249,468	$—	$249,468
Inventory Held for Repair	366,620	—	366,620
Other	47,190	—	47,190
Total Inventory	**663,278**	**—**	**663,278**
Operating Materials and Supplies			
Items Held for Use	245,788	(2,075)	243,713
Items Held in Reserve for Future Use	40,338	—	40,338
Excess, Obsolete and Unserviceable Items	3,094	(2,058)	1,036
Items Held for Repair	38,983	(18,194)	20,789
Total Operating Materials & Supplies	**328,203**	**(22,327)**	**305,876**
Total Inventory and Related Property			**$969,154**

Inventory is held for sale to the FAA field locations and other domestic entities and foreign governments and is classified as either held for sale, held for repair, or excess, obsolete, and unserviceable. Other inventory consists of raw materials and work in progress. Collectively, FAA's inventory is used to support our Nation's airspace system and is predominately located at the FAA Mike Monroney Aeronautical Center in Oklahoma City. Inventory that is deemed to be excess, obsolete and unserviceable is expected to have no net realizable value and a loss is recognized for the carrying amount. The carrying amount before identification as excess, obsolete and unserviceable inventory was $8.3 million in FY 2019 and $6.9 million in FY 2018.

Operating materials and supplies consist primarily of unissued materials and supplies to be used in the repair and maintenance of FAA-owned aircraft and to support the training vessels and day-to-day operations at the U.S. Merchant Marine Academy.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

General Property, Plant and Equipment as of September 30, 2019 consists of the following:

Dollars in Thousands	SERVICE LIFE	ACQUISITION VALUE	ACCUMULATED DEPRECIATION AMORTIZATION	BOOK VALUE
Major Classes				
Land and Improvements	10-40	$100,187	$(1,402)	$98,785
Buildings and Structures	20-40	6,973,525	(3,971,367)	3,002,158
Furniture and Fixtures	7-10	439	(439)	—
Equipment	5-15	18,526,424	(12,962,677)	5,563,747
Internal Use Software	3-10	4,220,420	(2,184,471)	2,035,949
Assets Under Capital Lease	6-10	103,000	(55,434)	47,566
Leasehold Improvements	3	199,601	(136,988)	62,613
Aircraft	20	515,252	(427,749)	87,503
Ships and Vessels	15-25	1,936,590	(1,929,395)	7,195
Small Boats	10-18	30,607	(29,203)	1,404
Construction-in-Progress	N/A	1,650,710	—	1,650,710
Total		**$34,256,755**	**$(21,699,125)**	**$12,557,630**

General Property, Plant and Equipment as of September 30, 2018 consists of the following:

Dollars in Thousands	SERVICE LIFE	ACQUISITION VALUE	ACCUMULATED DEPRECIATION AMORTIZATION	BOOK VALUE
Major Classes				
Land and Improvements	10-40	$99,961	$(2,350)	$97,611
Buildings and Structures	20-40	6,759,341	(3,820,687)	2,938,654
Furniture and Fixtures	7-10	439	(439)	—
Equipment	5-15	18,109,428	(12,189,959)	5,919,469
Internal Use Software	3-10	3,878,337	(1,877,322)	2,001,015
Assets Under Capital Lease	6-10	107,699	(51,311)	56,388
Leasehold Improvements	3	196,836	(127,892)	68,944
Aircraft	20	515,103	(418,778)	96,325
Ships and Vessels	15-25	1,934,207	(1,917,900)	16,307
Small Boats	10-18	29,614	(29,087)	527
Construction-in-Progress	N/A	1,545,787	—	1,545,787
Total		**$33,176,752**	**$(20,435,725)**	**$12,741,027**

Construction-in-progress (CIP) primarily relates to national airspace assets, which are derived from centrally funded national systems development contracts, site preparation and testing, raw materials, and internal labor changes. The accumulation of costs to be capitalized for assets in PP&E typically flow into and remain in the CIP account until the asset is ready for deployment and placed in service. Once placed in service, the asset balance is transferred from the CIP category to its respective asset category.

NOTE 9. STEWARDSHIP, PROPERTY, PLANT, AND EQUIPMENT

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

PERSONAL PROPERTY HERITAGE ASSETS

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

MARAD artifacts and other collections are generally on loan to single-purpose memorialization and remembrance groups, such as AMVETS National Service Foundation and other preservation societies. MARAD maintains a web-based inventory system that manages the artifact loan process. The program also supports the required National Historic Preservation Act processing prior to vessel disposal. Funding for the maintenance of heritage items is typically the responsibility of the organization requesting the loan of a heritage asset. The artifacts and other collections are composed of ships' operating equipment obtained from obsolete ships. The ships are inoperative and in need of preservation and restoration. As all items are durable and restorable, disposal is not a consideration. The artifacts and other collections are removed from inventory when determined to be in excess of the needs of the collection, or destroyed while on loan. The following table shows the number of physical units added and withdrawn as of September 30, 2019.

HERITAGE ASSETS

	UNITS AS OF 9/30/2018	ADDITIONS	WITHDRAWALS	UNITS AS OF 9/30/2019
Personal Property				
Artifacts	725	1	(13)	713
Other Collections	6,136	3	—	6,139
Total Personal Property Heritage Assets	**6,861**	**4**	**(13)**	**6,852**

REAL PROPERTY HERITAGE ASSETS

Washington's Union Station supports DOT's mobility mission, facilitating the movement of intercity and commuter rail passengers through the Washington, D.C. metropolitan area. FRA has an oversight role in the management of Washington's Union Station. FRA received title through legislation and sublets the property to Union Station Venture Limited, which manages the property.

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

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

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

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

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources as of September 30, 2019 and 2018 consist of the following:

Dollars in Thousands	2019	2018
Intragovernmental		
Unfunded FECA Liability	$170,393	$176,965
Unfunded Employment Related Liability	26,966	26,255
Liability for Nonentity Assets	1,274,256	511,203
Other Liabilities	4,292	5,574
Total Intragovernmental	**1,475,907**	**719,997**
Federal Employee Benefits Payable	849,291	869,087
Environmental and Disposal Liabilities (Note 12)	909,020	1,102,308
Accrued Pay and Benefits	576,534	532,398
Legal Claims	11,567	29,477
Capital Lease Liabilities	57,482	63,859
Other Liabilities	36,362	37,227
Total Liabilities Not Covered by Budgetary Resources	**3,916,163**	**3,354,353**
Total Liabilities Covered by Budgetary Resources	31,662,466	26,626,072
Total Liabilities Not Requiring Budgetary Resources	29,013	35,682
Total Liabilities	**$35,607,642**	**$30,016,107**

Liabilities Not Covered by Budgetary Resources are those liabilities for which Congressional action is needed before budgetary resources can be provided. Intragovernmental Liabilities are those liabilities that are with other Federal Government entities. The $1.3 billion and $0.5 billion of liability for nonentity assets for FY 2019 and FY 2018, respectively, are primarily related to downward loan subsidy reestimates. Liabilities Not Requiring Budgetary Resources are those liabilities for custodial collections that will not require the use of budgetary resources.

NOTE 11. DEBT

Debt activities during the fiscal year ended September 30, 2019 and 2018 consist of the following:

Dollars in Thousands	2018 BEGINNING BALANCE	2018 NET BORROWING	2018 ENDING BALANCE	2019 NET BORROWING	2019 ENDING BALANCE
Intragovernmental Debt					
Debt to the Treasury	$14,298,084	$2,411,920	$16,710,004	$4,046,043	$20,756,047
Total Intragovernmental Debt	**$14,298,084**	**$2,411,920**	**$16,710,004**	**$4,046,043**	**$20,756,047**

As part of its credit reform program, DOT borrows from the U.S. Treasury 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 2019, DOT's U.S. Treasury borrowings carried interest rates ranging from 1.09 percent to 4.97 percent. The maturity dates for these borrowings occur from September 2020 to September 2059. Loans may be repaid in whole or in part without penalty at any time. Borrowings from the U.S. Treasury are considered covered by budgetary resources, as no Congressional action is necessary to pay the debt.

NOTE 12. ENVIRONMENTAL AND DISPOSAL LIABILITIES

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

Dollars in Thousands	2019	2018
Environmental Remediation	$456,135	$548,362
Asset Disposal	565,249	553,946
Total Environmental and Disposal Liabilities	**$1,021,384**	**$1,102,308**

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, 2019 and 2018, DOT's environmental remediation liability primarily includes the removal of contaminants and remediation at various sites managed by the FAA and MARAD. To help manage the cleanup of the contaminated sites, FAA established an Environmental Cleanup Program that includes three service areas, which are responsible for oversight of the contaminated sites. The service area personnel use both actual costs and an automated, parametric cost-estimating tool that provides estimates for all phases of investigation and remediation to estimate the environmental remediation liability.

ASSET DISPOSAL

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

The National Maritime Heritage Act requires that MARAD dispose of certain merchant vessels owned by the U.S. Government, including nonretention ships in the fleet. Residual fuel, asbestos, and solid polychlorinated biphenyls (PCB) sometimes exist onboard MARAD's nonretention ships. Nonretention ships are those MARAD vessels that no longer have a useful application and are pending disposition. The asset disposal liability as of September 30, 2019, includes the estimated cost of disposing 83 ships. In addition, DOT records an asset disposal liability for the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous materials when an asset is removed from service.

Estimating the Department's cost estimates for environmental cleanup and asset disposal liabilities requires making assumptions about future activities and is inherently uncertain. These liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

See Note 16 for contingent environmental liabilities.

NOTE 13. GRANT ACCRUAL

Grantees primarily include State and local governments and transit authorities. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid, by DOT.

Grant accruals by DOT Operating Administrations as of September 30, 2019 and 2018 were as follows:

Dollars in Thousands	2019	2018
Federal Highway Administration	$5,888,871	$5,172,694
Federal Transit Administration	1,884,167	1,773,190
Federal Aviation Administration	743,268	695,106
Other Operating Administrations	148,799	158,806
Total Grant Accrual	**$8,665,105**	**$7,799,796**

NOTE 14. OTHER LIABILITIES

Other Liabilities as of September 30, 2019 consist of the following:

Dollars in Thousands	NON-CURRENT	CURRENT	TOTAL
Intragovernmental			
Advances and Prepayments	$—	$552,439	$552,439
Accrued Pay and Benefits	—	91,812	91,812
FECA Billings	92,355	78,240	170,595
Liability for Nonentity Assets	—	1,274,256	1,274,256
Other Accrued Liabilities	196	60,270	60,466
Total Intragovernmental	**$92,551**	**$2,057,017**	**$2,149,568**
Public			
Advances and Prepayments	$—	$269,148	$269,148
Accrued Pay and Benefits	38,177	847,872	886,049
Deferred Credits	—	111,302	111,302
Legal Claims (Note 16)	—	11,567	11,567
Capital Leases (Note 15)	49,029	8,453	57,482
Other Accrued Liabilities	—	58,190	58,190
Total Public	**$87,206**	**$1,306,532**	**$1,393,738**

Other Liabilities as of September 30, 2018 consist of the following:

Dollars in Thousands	NON-CURRENT	CURRENT	TOTAL
Intragovernmental			
Advances and Prepayments	$—	$516,887	$516,887
Accrued Pay and Benefits	—	104,103	104,103
FECA Billings	96,737	80,699	177,436
Liability for Nonentity Assets	—	511,203	511,203
Other Accrued Liabilities	—	44,322	44,322
Total Intragovernmental	**$96,737**	**$1,257,214**	**$1,353,951**
Public			
Advances and Prepayments	$—	$329,423	$329,423
Accrued Pay and Benefits	41,038	793,559	834,597
Deferred Credits	—	159,498	159,498
Legal Claims (Note 16)	—	29,477	29,477
Capital Leases (Note 15)	54,866	8,993	63,859
Other Accrued Liabilities	—	37,503	37,503
Total Public	**$95,904**	**$1,358,453**	**$1,454,357**

NOTE 15. LEASES

ENTITY AS LESSEE

CAPITAL LEASES

As of September 30, 2019 and 2018, capital leases were comprised of the following:

Dollars in Thousands	2019	2018
Summary of Assets Under Capital Lease by Category		
Land, Buildings & Machinery	$103,000	$107,699
Accumulated Amortization	(55,434)	(51,311)
Net Assets Under Capital Lease	**$47,566**	**$56,388**

As of September 30, 2019, all assets were under non-Federal capital lease.

As of September 30, 2019, DOT's future payments due on assets under capital lease were:

Dollars in Thousands	
Fiscal Year	
Future Payments Due	
FY 2020	$8,453
FY 2021	8,043
FY 2022	8,059
FY 2023	8,038
FY 2024	7,891
FY 2025+	28,832
Total Future Lease Payments	**69,316**
Less: Imputed Interest	11,834
Net Capital Lease Liability	**$57,482**

The capital lease payments disclosed in the preceding table relate to FAA and are authorized to be funded annually as codified in U.S.C. Title 49, Section 40110(c)(1), which addresses general procurement authority. The remaining principal payments are recorded as unfunded lease liabilities. The imputed interest is funded and expensed annually. DOT's capital leases contain terms expiring at various dates through FY 2039.

OPERATING LEASES

DOT has operating leases for real property, aircraft, vehicles and telecommunications equipment. Operating lease expenses incurred were $312 million and $296.4 million for the years ended September 30, 2019 and 2018, respectively. For FY 2019, the Federal operating lease expense incurred was $201.7 million and the non-Federal operating lease expense incurred was $110.3 million. For FY 2018, the Federal operating lease expense incurred was $182.9 million and the non-Federal operating lease expense incurred was $113.5 million. General Services Administration (GSA) leases include terms with a short termination privilege. However, DOT intends to remain in the leases. DOT's operating leases carry terms expiring at various dates ranging from 2019 to 2053. Any estimates of lease termination dates would be subjective, and any projection of future lease payments would be arbitrary.

As of September 30, 2019, DOT's future payments due on assets under operating lease were:

Dollars in Thousands	LAND, BUILDINGS, MACHINERY & OTHER
Fiscal Year	
Future Payments Due	
FY 2020	$292,005
FY 2021	269,871
FY 2022	211,425
FY 2023	198,919
FY 2024	175,268
FY 2025+	798,057
Total Future Lease Payments	**$1,945,545**

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

NOTE 16. COMMITMENTS AND CONTINGENCIES

As of September 30, 2019 and 2018, DOT's contingent liabilities, in excess of amounts accrued (Note 14), for asserted and pending legal claims are as follows:

2019	ACCRUED LIABILITIES	ESTIMATED RANGE OF LOSS	
Legal Contingencies		**Lower End**	**Upper End**
Probable	11,567	11,567	12,544
Reasonably Possible		324,070	604,270

2018	ACCRUED LIABILITIES	ESTIMATED RANGE OF LOSS	
Legal Contingencies		**Lower End**	**Upper End**
Probable	29,477	29,477	29,477
Reasonably Possible		311,223	591,273

DOT does not have material amounts of known unasserted claims.

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 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 advance construction without any Federal funds or with less than the maximum Federal share. As of September 30, 2019 and 2018, FHWA has $66.8 billion and $60.8 billion, respectively, of advance 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, 2019 and 2018.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment Grants Program under 49 U.S.C. 5309(k)(2), FAST Act § 3005(b)(2), and similar provisions in earlier surface transportation acts. The FFGAs authorize transit authorities to incur costs with their own funds in advance of Federal funds being made available. As of September 30, 2019 and September 30, 2018, FTA had funding commitments in FFGAs totaling $5.6 billion and $6.4 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, 2019 and 2018.

FAA's Airport Improvement Program (AIP) provides grants for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. FAA has authority under 49 U.S.C. 47110(e) to issue letters of intent to enter into a series of annual AIP grant agreements. A letter of intent is neither an obligation nor an administrative commitment of funds. FAA records an obligation when a grant is awarded. As of September 30, 2019 and 2018, FAA has letters of intent totaling $0.4 billion and $0.6 billion, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2019 and 2018.

ENVIRONMENTAL LIABILITIES

As of September 30, 2019 and 2018, 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.

2019	ACCRUED LIABILITIES	ESTIMATED RANGE OF LOSS	
Environmental Contingencies		**Lower End**	**Upper End**
Probable	1,021,384	1,021,384	1,021,384
Reasonably Possible		122,122	122,122

2018	ACCRUED LIABILITIES	ESTIMATED RANGE OF LOSS	
Environmental Contingencies		**Lower End**	**Upper End**
Probable	1,102,308	1,102,308	1,102,308
Reasonably Possible		157,508	157,508

AVIATION INSURANCE PROGRAM

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

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

MARINE WAR RISK INSURANCE PROGRAM

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

Additional commitments are discussed in Note 6. Direct Loans and Loan Guarantees, Non-Federal Borrowers, and Note 15. Leases.

NOTE 17. FUNDS FROM DEDICATED COLLECTIONS

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

HIGHWAY TRUST FUND

The HTF was created by the Highway Revenue Act of 1956 with the main objective of funding the construction of the Dwight D. Eisenhower System of Interstate and Defense Highways. Over the years, the use of the fund has been expanded to include mass transit and other surface transportation programs such as highway safety and motor carrier safety programs. The Highway Revenue Act of 1982 established two accounts within the HTF, the Highway Account and the Mass Transit Account. The HTF consists of the Highway Corpus Trust Fund and certain accounts of FHWA, FMCSA, FRA, FTA, and NHTSA. 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.

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

MASS TRANSIT ACCOUNT

The Mass Transit Account is comprised of FTA's formula and bus grant programs. These funds are considered dedicated collections but are not reported as part of the HTF. 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.

OTHER DEDICATED COLLECTIONS

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

For the periods ended September 30, 2019 and 2018, respectively, funds from dedicated collections are summarized in the following charts. Intra-agency transactions have not been eliminated in the amounts presented. 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.

FISCAL YEAR 2019

Dollars in Thousands	HIGHWAY TRUST FUND	AIRPORT AND AIRWAY TRUST FUND	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS
Balance Sheet					
as of September 30, 2019					
Assets					
Fund Balance With Treasury	$4,702,895	$1,017,491	$49,075	$2,335,915	$8,105,376
Investments, Net	28,192,343	15,110,199	—	2,339,801	45,642,343
Accounts Receivable, Net	38,531	—	807	7,453,298	7,492,636
Property, Plant & Equipment	200,591	—	—	2,319,624	2,520,215
Other	152,887	—	—	223,312	376,199
Total Assets	**$33,287,247**	**$16,127,690**	**$49,882**	**$14,671,950**	**$64,136,769**
Liabilities and Net Position					
Accounts Payable	$31,375	$6,735,936	$—	$1,086,170	$7,853,481
FECA Liabilities	19,547	—	—	946,498	966,045
Grant Accrual	7,466,183	—	1,458	743,268	8,210,909
Other Liabilities	336,029	—	1,445	1,132,177	1,469,651
Unexpended Appropriations	—	—	571	734,250	734,821
Cumulative Results of Operations	25,434,113	9,391,754	46,408	10,029,587	44,901,862
Total Liabilities and Net Position	**$33,287,247**	**$16,127,690**	**$49,882**	**$14,671,950**	**$64,136,769**
Statement of Net Cost					
for the period ended September 30, 2019					
Program Costs	$57,146,737	$—	$7,816	$16,462,590	$73,617,143
Less Earned Revenue	260,216	12	(17)	702,946	963,157
Net Program Costs	**56,886,521**	**(12)**	**7,833**	**15,759,644**	**72,653,986**
Costs Not Attributable to Programs	—	—	—	—	—
Net Cost of Operations	**$56,886,521**	**$(12)**	**$7,833**	**$15,759,644**	**$72,653,986**
Statement of Changes in Net Position					
for the period ended September 30, 2019					
Beginning Net Position	$37,751,913	$9,223,581	$101,372	$10,578,774	$57,655,640
Budgetary Financing Sources	44,529,184	168,161	(46,560)	16,769,771	61,420,556
Other Financing Sources	39,537	—	—	(825,064)	(785,527)
Net Cost of Operations	56,886,521	(12)	7,833	15,759,644	72,653,986
Change in Net Position	(12,317,800)	168,173	(54,393)	185,063	(12,018,957)
Net Position End of Period	**$25,434,113**	**$9,391,754**	**$46,979**	**$10,763,837**	**$45,636,683**

FISCAL YEAR 2018

Dollars in Thousands	HIGHWAY TRUST FUND	AIRPORT AND AIRWAY TRUST FUND	MASS TRANSIT	OTHER FUNDS FROM DEDICATED COLLECTIONS	TOTAL FUNDS FROM DEDICATED COLLECTIONS
Balance Sheet					
as of September 30, 2018					
Assets					
Fund Balance With Treasury	$3,295,751	$1,135,600	$104,072	$2,932,265	$7,467,688
Investments, Net	41,216,458	14,280,515	—	2,283,768	57,780,741
Accounts Receivable, Net	67,444	—	824	6,354,756	6,423,024
Property, Plant & Equipment	193,637	—	—	2,073,678	2,267,315
Other	134,257	—	—	269,995	404,252
Total Assets	**$44,907,547**	**$15,416,115**	**$104,896**	**$13,914,462**	**$74,343,020**
Liabilities and Net Position					
Accounts Payable	$41,101	$6,192,534	$—	$547,861	$6,781,496
FECA Liabilities	21,384	—	—	971,092	992,476
Grant Accrual	6,685,597	—	2,080	695,106	7,382,783
Other Liabilities	407,552	—	1,444	1,121,629	1,530,625
Unexpended Appropriations	—	—	652	1,088,693	1,089,345
Cumulative Results of Operations	37,751,913	9,223,581	100,720	9,490,081	56,566,295
Total Liabilities and Net Position	**$44,907,547**	**$15,416,115**	**$104,896**	**$13,914,462**	**$74,343,020**
Statement of Net Cost					
for the period ended September 30, 2018					
Program Costs	$56,001,451	$1	$12,729	$15,714,983	$71,729,164
Less Earned Revenue	244,936	5	—	571,879	816,820
Net Program Costs	**55,756,515**	**(4)**	**12,729**	**15,143,104**	**70,912,344**
Costs Not Attributable to Programs	—	—	—	—	—
Net Cost of Operations	**$55,756,515**	**$(4)**	**$12,729**	**$15,143,104**	**$70,912,344**
Statement of Changes in Net Position					
for the period ended September 30, 2018					
Beginning Net Position	$49,985,740	$8,665,627	$114,311	$9,488,602	$68,254,280
Budgetary Financing Sources	43,484,098	557,950	(210)	16,927,487	60,969,325
Other Financing Sources	38,590	—	—	(694,211)	(655,621)
Net Cost of Operations	55,756,515	(4)	12,729	15,143,104	70,912,344
Change in Net Position	(12,233,827)	557,954	(12,939)	1,090,172	(10,598,640)
Net Position End of Period	**$37,751,913**	**$9,223,581**	**$101,372**	**$10,578,774**	**$57,655,640**

NOTE 18. 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, Office of Tax Analysis (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 and, accordingly, the DOT financial statements include actual excise tax revenue certified through June 30, 2019, and excise tax revenue allocated by OTA for the quarter ended September 30, 2019. As a result, total taxes recognized in the DOT FY 2019 financial statements include the OTA allocation of $14.1 billion for the quarter ended September 30, 2019, and the actual amounts certified through June 30, 2019 of $44.6 billion.

For the years ended September 30, 2019 and 2018, respectively, excise taxes and associated nonexchange revenue, which are reported on the Consolidated Statements of Changes in Net Position, are as follows.

NONEXCHANGE REVENUE

For the periods ended September 30, 2019 and 2018

Dollars in Thousands	2019	2018
Highway Trust Fund		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	$26,450,616	$26,686,291
Diesel and Special Motor Fuels	11,246,501	11,086,448
Trucks	7,149,411	6,124,334
Investment Income	843,330	748,639
Fines and Penalties	97,614	27,036
Total Taxes	**45,787,472**	**44,672,748**
Less: Transfers	(1,272,383)	(1,310,141)
Other Nonexchange Revenue	1,828	804
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	**44,516,917**	**43,363,411**
Federal Aviation Administration		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	10,365,106	10,484,955
International Departure	4,281,268	4,093,269
Fuel (Air)	695,039	689,249
Waybill	650,374	540,403
Investment Income	366,824	299,257
Tax Refunds and Credits	(15,800)	(15,353)
Other	3,100	37,624
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	**16,345,911**	**16,129,404**
Other Miscellaneous Net Nonexchange Revenue	54,689	49,192
Total Nonexchange Revenue	**$60,917,517**	**$59,542,007**

NOTE 19. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

Dollars in Thousands	2019	2018
Available Contract Authority at Year-End	$16,063,121	$16,777,998
Available Borrowing Authority at Year-End	$3,259,505	$3,037,732

Dollars in Thousands	2019 FEDERAL	2019 NON-FEDERAL	2018 FEDERAL	2018 NON-FEDERAL
Undelivered Orders at Year-End, unpaid	$1,005,820	$110,637,498	$649,858	$110,510,905
Undelivered Orders at Year-End, paid	$483,146	$918,993	$475,804	$1,422,713

TERMS OF BORROWING AUTHORITY USED

Under the provisions of the Federal Credit Reform Act of 1990, DOT's direct loan and loan guarantee programs are authorized to borrow funds from Treasury to support its credit programs. All loan drawdowns are dated October 1 of the applicable fiscal year. Interest is payable at the end of each fiscal year based on activity for that fiscal year. Principal can be repaid at any time funds become available. Repayment is effectuated by a combination of loan recoveries and upward reestimates.

EXISTENCE, PURPOSE, AND AVAILABILITY OF PERMANENT INDEFINITE APPROPRIATIONS

DOT has permanent indefinite budgetary authority for use in their credit programs that is provided from, and more details are available in, the Federal Credit Reform Act of 1990. This funding is available for reestimates and interest on reestimates. DOT's credit programs are explained in detail in Note 6.

LEGAL ARRANGEMENTS AFFECTING THE USE OF OBLIGATED BALANCES

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

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

UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

The unobligated balance from prior year budget authority is presented net of transfers, recoveries from prior year obligations, and balances withdrawn for cancelled authority. As a result, the amount will not equal the prior year unobligated balance, end of year total.

STATEMENT OF BUDGETARY RESOURCES VS. BUDGET OF THE UNITED STATES GOVERNMENT

The reconciliation for the year ended September 30, 2018, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2019, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2021, which presents the execution of the FY 2019 budget, occurs after publication of these financial statements. The DOT Budget Appendix can be found on the OMB Web site and will be available in early February 2020.

Dollars in Millions	BUDGETARY RESOURCES	NEW OBLIGATIONS AND UPWARD ADJUSTMENTS	DISTRIBUTED OFFSETTING RECEIPTS	NET OUTLAYS
Combined Statement of Budgetary Resources	$155,563	$99,900	$(2,249)	$83,287
Funds Not Reported in the Budget				
Expired Funds	(247)	—	—	—
Other	(1)	2	(10)	1
Budget of the United States Government	**$155,315**	**$99,902**	**$(2,259)**	**$83,288**

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

NOTE 20. CUSTODIAL ACTIVITY

Cash collections that are "custodial" are not revenue to the DOT, but are collected on behalf of other Federal entities or funds. Custodial collections are considered to be incidental to the DOT's operations.

The following table presents custodial collections and the disposition of those collections for the years ended September 30, 2019 and 2018:

REVENUE ACTIVITY

Dollars in Thousands	2019	2018
Sources of Cash Collections		
Miscellaneous Receipts	$34,897	$30,647
User Fees	203	317
Fines, Penalties and Forfeitures	32,678	30,383
Total Cash Collections	**67,778**	**61,347**
Accrual Adjustment	(6,667)	(6,846)
Total Custodial Revenue	**61,111**	**54,501**
Disposition of Collections		
Transferred to Treasury's General Fund	67,778	61,347
Increase (Decrease) in Amounts to be Transferred	(6,667)	(6,846)
Net Custodial Activity	**$—**	**$—**

NOTE 21. 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.

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.
- Direct loan and loan guarantee receivable is related to the disbursement of loans to borrowers, related capitalized interest and the repayment of principal. The increase in direct loan and loan guarantee receivable and debt is a result of loans disbursed and outlayed in current period, however the costs of the loans are recognized in future reporting periods. To reconcile these differences, loans receivable and debt are components of net operating cost, but not part of net outlays.

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.

The reconciliation of net cost to net outlays was not applicable in prior years. In the initial year of implementation, the disclosure requirements applicable to prior reporting periods are not required for comparative presentations.

For the year ended September 30, 2019

Dollars in Thousands	INTRAGOVERNMENTAL	WITH THE PUBLIC	TOTAL
Net Operating Cost (SNC)	**$2,832,016**	**$79,255,847**	**$82,087,863**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	—	(1,549,461)	(1,549,461)
Property, Plant, and Equipment Disposal & Reevaluation	—	(253,284)	(253,284)
Other	(407)	92,885	92,478
Increase/(decrease) in Assets			
Accounts Receivable	(54,047)	15,207	(38,840)
Direct Loan and Loan Guarantees	—	4,647,571	4,647,571
Advances, Prepayments and Other Assets	828	(503,809)	(502,981)
Investments	5,362	—	5,362
(Increase)/Decrease in Liabilities not Affecting Budget Outlays			
Accounts Payable	(2,541)	23,840	21,299
Debt	(4,046,043)	—	(4,046,043)
Loan Guarantee Liability	—	(68,741)	(68,741)
Federal Employee Benefits Payable	—	19,796	19,796
Environmental and Disposal Liabilities	—	80,924	80,924
Grant accrual	—	(865,308)	(865,308)
Other Liabilities	(804,477)	61,111	(743,366)
Other Financing Sources			
Imputed Financing Costs Absorbed by Others	(529,040)	—	(529,040)
Other Imputed Financing	66	—	66
Transfers out (in) Without Reimbursement	(25,949)	—	(25,949)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(5,456,248)**	**1,700,731**	**(3,755,517)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	59,618	1,406,641	1,466,259
Acquisition of Inventory	1	84,135	84,136
Acquisition of Other Assets	—	2,429	2,429
Other	4,794,999	(81,467)	4,713,532
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**4,854,618**	**1,411,738**	**6,266,356**
Net Outlays (Calculated Total)	**$2,230,386**	**$82,368,316**	**$84,598,702**
Related Amounts on the Statement of Budgetary Resources			
Outlays, Net			85,843,517
Distributed Offsetting Receipts			(1,244,815)
Agency Outlays, Net			**$84,598,702**

NOTE 22. FIDUCIARY ACTIVITIES

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

The act was recently amended to allow 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, 2019 and 2018

Dollars in Thousands	2019	2018
Fiduciary Net Assets, Beginning of Year	$10,592	$5,783
Contributions	193,861	206,267
Investment Earnings	256	69
Disbursements to and on Behalf of Beneficiaries	(177,700)	(201,527)
Increases/(Decreases) in Fiduciary Net Assets	16,417	4,809
Fiduciary Net Assets, End of Year	**$27,009**	**$10,592**

FIDUCIARY NET ASSETS

As of September 30, 2019 and 2018

Dollars in Thousands	2019	2018
Fiduciary Fund Balance With Treasury	$5,463	$5,743
Investments in Treasury Securities	21,546	4,849
Total Fiduciary Net Assets	**$27,009**	**$10,592**

NOTE 23. DISCLOSURE ENTITIES

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

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

Amtrak receives grants from DOT, through the Federal Railroad Administration (FRA), that cover a portion of the corporation's annual operating expenses and capital investments. Funding provided to Amtrak through grant agreements are included in DOT's annual budget and the DOT financial statements. For the period ended September 30, 2019, net costs related to Amtrak grants were $2.4 billion, total budgetary outlays were $1.9 billion, and the remaining undelivered order balance for Amtrak is $0.97 billion. For the period ended September 30, 2018, net costs related to Amtrak grants were $0.96 billion, total budgetary outlays were $2.0 billion, and the remaining undelivered order balance for Amtrak is $1.5 billion.

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

In each fiscal year for which Amtrak draws down funds under its 2016 RRIF loan and/or makes repayments towards the loan, the Department records amounts paid out to Amtrak and amounts Amtrak repays to the Department in its financial system. The RRIF loan is accounted for in accordance with SFFAS 2 (see Note 6). As of September 30, 2019, the undelivered balance of the RRIF loan is $1.9 billion and the amount disbursed is $557 million. As of September 30, 2018, the undelivered order balance of the RRIF loan is $2.3 billion and the amount disbursed is $137 million.

In addition, to the grants and loans provided to Amtrak, the Department has possession of two long-term notes with Amtrak. The first note is for $4 billion and matures in

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

In the event of an Amtrak bankruptcy, the federal government would be at risk of financial loss as a result of longstanding debt and the 2016 RRIF loan. However, such risk of loss is limited given that each of these debts 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 24: RECLASSIFICATION OF BALANCE SHEET, STATEMENT OF NET COST, AND STATEMENT OF CHANGES IN NET POSITION FOR FR COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the DOT financial statements and the DOT reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2018 FR can be found here: **https://www.fiscal.treasury.gov/reports-statements/** and a copy of the 2019 FR will be posted to this site as soon as it is released.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

FY 2019 U.S. DEPARTMENT OF TRANSPORTATION BALANCE SHEET

LINE ITEMS USED TO PREPARE FY 2019 GOVERNMENT-WIDE BALANCE SHEET

FINANCIAL STATEMENT LINE	AMOUNTS	AMOUNTS	RECLASSIFIED FINANCIAL STATEMENT LINE
ASSETS			**ASSETS**
Intragovernmental Assets			**Intragovernmental Assets**
Fund Balance With Treasury	$44,081,720	$44,081,720	Fund Balance With Treasury
Investments, Net		45,542,310	Federal Investments
	45,642,343	100,033	Interest Receivable – Investments
Total Investments, Net	45,642,343	45,642,343	*Total Reclassified Investments, Net*
Accounts Receivable	99,124	86,124	Accounts Receivable
		13,000	Transfers Receivable
Total Accounts Receivable	99,124	99,124	*Total Reclassified Accounts Receivable*
Advances and Prepayments	70,410	70,410	Advances to Others and Prepayments
Total Intragovernmental Assets	**89,893,597**	**89,893,597**	**Total Intragovernmental Assets**
Accounts Receivable, Net	112,734	112,734	Accounts and Taxes Receivable, Net
Direct Loan and Loan Guarantees, Net	21,728,966	21,728,966	Loans Receivable, Net
Inventory and Related Property, Net	1,007,480	1,007,480	Inventory and Related Property, Net
General Property Plant & Equipment, Net	12,557,630	12,557,630	Property Plant & Equipment, Net
Advances, Prepayments and Other Assets	918,914	918,914	Other Assets
Total Assets	**$126,219,321**	**$126,219,321**	**Total Assets**

FY 2019 U.S. DEPARTMENT OF TRANSPORTATION BALANCE SHEET

LINE ITEMS USED TO PREPARE FY 2019 GOVERNMENT-WIDE BALANCE SHEET

FINANCIAL STATEMENT LINE	AMOUNTS	AMOUNTS	RECLASSIFIED FINANCIAL STATEMENT LINE
LIABILITIES			**LIABILITIES**
Intragovernmental Liabilities			**Intragovernmental Liabilities**
Accounts Payable	$29,806	$29,806	Accounts Payable
Debt	20,756,047	20,756,047	Loans Payable
Other		238,754	Benefit Program Contributions Payable
		552,438	Advances from Other & Deferred Credits
		1,303,268	Liability to the General Fund for Custodial and Other Non-Entity Assets
	2,149,568	55,108	Other Liabilities
Total Other – Intragovernmental Liabilities	2,149,568	2,149,568	*Total Reclassified Other – Miscellaneous Liabilities*
Total Intragovernmental Liabilities	**22,935,421**	**22,935,421**	**Total Intragovernmental Liabilities**
Accounts Payable	585,844	585,844	Accounts Payable
Loan Guarantee Liability	156,859	156,859	Loan Guarantee Liabilities
Federal Employee Benefits Payable	849,291	849,291	Federal Employee and Veteran Benefits Payable
Environmental and Disposal Liabilities	1,021,384	1,021,384	Environmental and Disposal Liabilities
Grant Accrual	8,665,105	8,665,105	Other Liabilities
Other		56,094	Federal Employee and Veterans Benefits Payable
	1,393,738	1,337,644	Other Liabilities
Total Other Liabilities	1,393,738	1,393,738	*Total Reclassified Miscellaneous Liabilities*
Total Liabilities	**$35,607,642**	**$35,607,642**	**Total Liabilities**
NET POSITION			
Unexpended Appropriations – Funds from Dedicated Collections (Combined)	$734,821	$734,821	Net Position – Funds from Dedicated Collections
Unexpended Appropriations – All Other Funds (Combined)	33,462,200	33,462,200	Net Position – Funds Other than those from Dedicated Collections
Cumulative Results of Operations – Funds from Dedicated Collections (Combined)	44,901,862	44,901,862	Net Position – Funds from Dedicated Collections
Cumulative Results of Operations – All Other Funds (Combined)	11,512,796	11,512,796	Net Position – Funds Other than those from Dedicated Collections
Total Net Position	**90,611,679**	**90,611,679**	**Total Net Position**
Total Liabilities & Net Position	**$126,219,321**	**$126,219,321**	**Total Liabilities & Net Position**

FY 2019 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF NET COST

LINE ITEMS USED TO PREPARE FY 2019 GOVERNMENT-WIDE STATEMENT OF NET COST

FINANCIAL STATEMENT LINE	AMOUNTS	AMOUNTS	RECLASSIFIED FINANCIAL STATEMENT LINE
Gross Costs			***Non-Federal Costs***
		$80,342,989	Non-Federal Gross Cost
		80,342,989	***Total Non-Federal Costs***
			Intragovernmental Costs
		1,797,942	Benefit Program Costs
		529,040	Imputed Costs
		560,755	Buy/Sell Costs
		24,791	Purchase of Assets
		672,544	Borrowing and Other Interest Expense
		443,679	Other Expenses (w/o Reciprocals)
		(24,791)	Purchase of Assets Offset
	$84,346,949	4,003,960	***Total Intragovernmental Costs***
Total Gross Costs	84,346,949	84,346,949	*Total Reclassified Gross Costs*
Earned Revenue		1,087,142	Non-Federal Earned Revenue
			Intragovernmental Revenue
		1,052,887	Buy/Sell Revenue
		46,240	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		72,817	Borrowing and Other Interest Revenue
	2,259,086	1,171,944	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	2,259,086	2,259,086	*Total Reclassified Earned Revenue*
Net Cost of Operations	**$82,087,863**	**$82,087,863**	**Net Cost of Operations**
Exchange Statement of Custodial Activity			
Exchange Custodial Collections from Note on Custodial Collections	24,983	24,561	Non-Federal Earned Revenue
		422	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	24,983	24,983	*Total Reclassified Exchange Custodial Collections*
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(24,983)	(24,983)	Reclassified Disposition of Custodial Collections

FY 2019 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION

LINE ITEMS USED TO PREPARE FY 2019 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION

FINANCIAL STATEMENT LINE	AMOUNTS	AMOUNTS	RECLASSIFIED FINANCIAL STATEMENT LINE
UNEXPENDED APPROPRIATIONS			
Unexpended Appropriations, Beginning Balance	$29,112,302	$29,112,302	Net Position, Beginning of Period
Budgetary Financing Sources			
Appropriations Received	15,207,638	15,207,638	Appropriations Received as Adjusted
Appropriations Transferred In/Out	10,000	10,000	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources (Federal)
Other Adjustments	(65,057)	(65,057)	Appropriations Received as Adjusted
Appropriations Used	(10,067,862)	(10,067,862)	Appropriations Used (Federal)
Total Unexpended Appropriations	**$34,197,021**	**$34,197,021**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS			
Cumulative Results, Beginning Balance	68,083,207	68,083,207	Net Position, Beginning of Period
Budgetary Financing Sources			
Other Adjustments	(130)	(130)	Revenue and Other Financing Sources - Cancellations
Appropriations Used	10,067,862	10,067,862	Appropriation Expended (Federal)
Non-Exchange Revenue			***Non-Federal Non-Exchange Revenues***
		140,649	Other Taxes and Receipts
		140,649	***Total Non-Federal Non-Exchange Revenues***
			Intragovernmental Non-Exchange Revenue
		1,210,154	Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange)
		16,582	Borrowings and Other Interest Revenue (Non-Exchange)
		59,550,132	Other Taxes and Receipts
	60,917,517	60,776,868	***Total Intragovernmental Non-Exchange Revenue***
Total Non-Exchange Revenue	60,917,517	60,917,517	*Total Reclassified Non-Exchange Revenues*
Donations and Forfeitures of Cash/Cash Equivalents	1,567	1,567	Other Taxes and Receipts (Non-Federal)
Transfers-In/Out w/o Reimbursement – Budgetary		23,000	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
		(377)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
	47,319	24,696	Expenditure Transfers-In of Financing Sources
Total Transfers-In/Out w/o Reimbursement – Budgetary	47,319	47,319	*Total Reclassified Transfers In/Out w/o Reimbursement – Budgetary (Federal)*

FY 2019 U.S. DEPARTMENT OF TRANSPORTATION STATEMENT OF CHANGES IN NET POSITION

LINE ITEMS USED TO PREPARE FY 2019 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION

FINANCIAL STATEMENT LINE	AMOUNTS	AMOUNTS	RECLASSIFIED FINANCIAL STATEMENT LINE
Other Financing Sources (Non-Exchange)			
Donations and Forfeitures of Property	158,636	158,636	Other Taxes and Receipts (Non-Federal)
Transfers-In/Out w/o Reimbursement - Other Financing Sources		3,491	Transfers-in w/o Reimbursement
	1,196	(2,295)	Transfers-out w/o Reimbursement
Total Transfers-In/Out w/o Reimbursement – Other Financing Sources	1,196	1,196	*Total Reclassified Transfers-In/Out w/o Reimbursement – Other Financing Sources*
Imputed Financing	529,040	529,040	Imputed Financing Sources (Federal)
		(540,807)	Non-Entity Custodial Collections Transferred to the General Fund
		(763,072)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		252	Other Taxes and Receipts (Non-Federal)
Other	(1,303,693)	(66)	Other Budgetary Financing Sources
Total Other	(1,303,693)	(1,303,693)	*Total Reclassified Other*
Total Financing Sources	**70,419,314**	**70,419,314**	**Total Financing Sources**
Net Cost of Operations	**82,087,863**	**82,087,863**	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	**56,414,658**	**56,414,658**	**Net Position – Ending Balance**
Total Net Position	**$90,611,679**	**$90,611,679**	**Total Net Position**
Non-Exchange Statement of Custodial Activity			
Non-Exchange Custodial Collections from the Note on Custodial Activity	36,128	36,128	Other Taxes and Receipts
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity		(35,284)	Non-Entity Custodial Collections Transferred to the General Fund
	(36,128)	(844)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
Total Disposition of Non-Exchange Custodial Collections	(36,128)	(36,128)	*Total Reclassified Disposition of Non-Exchange Custodial Collections*

REQUIRED SUPPLEMENTARY INFORMATION

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2019

Dollars in Thousands			COST TO RETURN TO ACCEPTABLE CONDITION	
DOT Entity	**Major Class of Asset**	**Description**	**Beginning Balance**	**Ending Balance**
FAA	Staffed Facilities	Buildings, structures, and facilities at major and nonmajor airports	$281,300	$321,115
	Unstaffed Faculties	Long range radars; unstaffed infrastructure and fuel storage tanks	808,253	792,380
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	62,806	52,036
	Buildings	Real property structure—U.S. Merchant Marine Academy	42,460	34,099
Total			**$1,194,819**	**$1,199,630**

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been or were scheduled to be performed and delayed until a future period. Maintenance and repairs are the act of keeping fixed assets in acceptable condition, and they include preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve assets in a condition to provide acceptable service and to achieve expected useful lives.

DOT's reporting of DM&R includes the Operating Administrations of FAA and MARAD, which include facilities critical to our Nation's airspace and maritime operations.

The FAA deferred maintenance includes facilities that must be maintained at 90 to 95 percent of prescribed levels to be considered in fair condition or better. DM&R are estimated using condition assessment surveys to establish Facilities Condition Index scores and lifecycle short forecasts. The estimates include FAA's buildings, structures and facilities both staffed and unstaffed. The staffed facilities that directly support air traffic control operations are assessed for DM&R and lifecycle costs on a rotating basis by a qualified engineering firm. DM&R for unstaffed infrastructure facilities is determined by facility surveys.

DM&R estimates for the FAA long-range radar facilities supporting critical airspace system facilities were computed through actual onsite facility assessments based on the Plant (facility) Replacement Value as estimated by the long-range radar planning and requirements specialist located in FAA's service centers. DM&R calculations for fuel storage tanks are determined based on the age of the structure. Additionally, FAA revised the methodology for computing the deferred maintenance for unstaffed infrastructure in FY 2017. FAA now maintains an itemized database that contains all active capital assets along with their associated lifecycles and replacement costs. The current computation is based upon asset lifecycles instead of the previous estimate methodology which was based upon a 2008 engineering assessment and annual sustainment requirements.

The DM&R at MARAD includes Ready Reserve Force (RRF) vessels at various locations, National Defense Reserve Fleet (NDRF) and facilities, and the U.S. Merchant Marine Academy (USMMA). MARAD maintains RRF vessels in accordance with their assigned readiness status and current condition status. The current condition status is a function of required repairs of deficiencies and their impact on the ability to activate and operate a vessel in accordance with the readiness status. MARAD ship managers prioritize preventive maintenance actions, repair, and upgrade actions in accordance with the activities' impact to readiness. Exclusions were made for environmental initiatives work not normally considered maintenance because these represent enhancements for energy savings impacting the environment or other environmental impacts.

NDRF and fleet facilities are required to maintain updated facility condition assessment documentation and fleet craft servicing plans to ensure facilities are maintaining acceptable operational and infrastructural conditions for mission accomplishment. In support of this, appropriate planning and budgeting is performed throughout the year. Priorities are assigned based upon annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. MARAD Resource Management Board has concluded that it has sufficient resources to fund requirements necessary to maintain NDRF and fleet facilities in acceptable condition. Projects that would improve fleet conditions beyond just acceptable conditions remain in budget submissions mainly for visibility purposes and to support future decisions if critical factors change and the improvements themselves become mission critical. This change resulted in zero DM&R costs for NDRF and fleet facilities.

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

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2019

Dollars in Thousands	FEDERAL-AID	FAA	FTA	MARAD	ALL OTHER	TOTAL
Budgetary Resources						
Unobligated Balance From Prior Year						
Budget Authority, Net	$22,260,066	$6,053,278	$18,437,306	$877,330	$9,689,136	$57,317,116
Appropriations (Note 1W)	—	14,603,559	3,484,834	1,169,573	9,985,328	29,243,294
Borrowing Authority	—	—	—	5,061	3,254,444	3,259,505
Contract Authority	44,778,774	3,350,000	11,013,774	—	1,536,718	60,679,266
Spending Authority From Offsetting						
Collections	210,531	10,661,064	2,128	563,178	1,201,035	12,637,936
Total Budgetary Resources	**$67,249,371**	**$34,667,901**	**$32,938,042**	**$2,615,142**	**$25,666,661**	**$163,137,117**
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$44,955,627	$28,423,986	$15,612,158	$1,068,650	$12,381,894	$102,442,315
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,885,956	3,794,763	17,294,961	1,312,470	11,804,906	39,093,056
Unapportioned, Unexpired Accounts	17,407,788	2,271,198	28,749	226,174	1,420,180	21,354,089
Unexpired Unobligated Balance, End						
of Year	22,293,744	6,065,961	17,323,710	1,538,644	13,225,086	60,447,145
Expired Unobligated Balance, End						
of Year	—	177,954	2,174	7,848	59,681	247,657
Unobligated Balance, End of Year	**22,293,744**	**6,243,915**	**17,325,884**	**1,546,492**	**13,284,767**	**60,694,802**
Total Budgetary Resources	**$67,249,371**	**$34,667,901**	**$32,938,042**	**$2,615,142**	**$25,666,661**	**$163,137,117**
Outlays, Net						
Outlays, Net	$44,166,588	$17,169,922	$13,369,343	$468,000	$10,669,664	$85,843,517
Distributed Offsetting Receipts	—	(510,295)	(8,366)	(29,175)	(696,979)	(1,244,815)
Agency Outlays, Net	**$44,166,588**	**$16,659,627**	**$13,360,977**	**$438,825**	**$9,972,685**	**$84,598,702**

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2018

Dollars in Thousands	FEDERAL-AID	FAA	FTA	MARAD	ALL OTHER	TOTAL
Budgetary Resources						
Unobligated Balance From Prior Year Budget Authority, Net	$23,354,737	$4,545,635	$17,718,547	$651,444	$4,356,060	$50,626,423
Appropriations (Note 1W)	—	15,775,415	4,077,125	996,655	10,016,745	30,865,940
Borrowing Authority	—	—	—	150,846	2,886,886	3,037,732
Contract Authority	43,529,303	3,350,000	11,024,222	—	1,508,695	59,412,220
Spending Authority From Offsetting Collections	366,946	9,681,311	3,309	428,054	1,140,915	11,620,535
Total Budgetary Resources	**$67,250,986**	**$33,352,361**	**$32,823,203**	**$2,226,999**	**$19,909,301**	**$155,562,850**
Status of Budgetary Resources						
New Obligations and Upward Adjustments	$44,426,456	$27,586,029	$15,233,090	$1,347,581	$11,307,062	$99,900,218
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	5,558,384	3,379,391	17,507,314	703,502	8,152,204	35,300,795
Unapportioned, Unexpired Accounts	17,266,146	2,237,279	80,697	163,432	394,783	20,142,337
Unexpired Unobligated Balance, End of Year	22,824,530	5,616,670	17,588,011	866,934	8,546,987	55,443,132
Expired Unobligated Balance, End of Year	—	149,662	2,102	12,484	55,252	219,500
Unobligated Balance, End of Year	22,824,530	5,766,332	17,590,113	879,418	8,602,239	55,662,632
Total Budgetary Resources	**$67,250,986**	**$33,352,361**	**$32,823,203**	**$2,226,999**	**$19,909,301**	**$155,562,850**
Outlays, Net						
Outlays, Net	$43,704,512	$16,999,008	$12,782,746	$865,684	$8,934,859	$83,286,809
Distributed Offsetting Receipts	—	(1,009,081)	(1,027)	(145,028)	(1,093,639)	(2,248,775)
Agency Outlays, Net	**$43,704,512**	**$15,989,927**	**$12,781,719**	**$720,656**	**$7,841,220**	**$81,038,034**

MARINE WAR RISK INSURANCE PROGRAM (UNAUDITED)

For FY 2019 and FY 2018, MARAD covered nonpremium war risk insurance with a total coverage per year of $279 million and $349.2 million, respectively. The DoD indemnifies MARAD for any losses arising out of the nonpremium insurance. There have been no losses and no claims are outstanding for this nonpremium insurance. There is approximately $50 million in the Marine War Risk Insurance fund to reimburse operators that may be covered by premium insurance in future periods for national security and defense purposes. For FY 2019 and FY 2018, there were no outstanding policies or obligations for the premium based war risk insurance program.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (RSSI)

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

For the periods ended September 30

Dollars in Thousands	2015	2016	2017	2018	2019
Surface Transportation					
Federal Highway Administration					
Federal Aid Highways (HTF)	$40,255,642	$40,367,987	$41,720,349	$42,305,868	$43,223,017
Other Highway Trust Fund Programs	27,936	55,621	36,154	37,572	52,346
General Fund Programs	274,327	255,273	5,270	258,033	448
Appalachian Development System	247,924	230,623	202,625	202,311	168,375
Total Federal Highway Administration	**40,805,829**	**40,909,504**	**41,964,398**	**42,803,784**	**43,444,186**
Federal Transit Administration					
Discretionary Grants	4,871	6,151	(17,605)	3,482	3,482
Formula Grants	42,735	32,682	19,314	13,696	8,438
Capital Investment Grants	2,239,409	1,968,027	1,906,775	1,660,848	956,951
Washington Metro Area Transit Authority	97,921	265,177	204,463	180,696	159,824
Formula and Bus Grants	8,863,115	9,466,025	9,459,965	10,106,692	10,511,783
Total Federal Transit Administration	**11,248,051**	**11,738,062**	**11,572,912**	**11,965,414**	**11,640,478**
Total Surface Transportation Non-Federal Physical Property Investments	**52,053,880**	**52,647,566**	**53,537,310**	**54,769,198**	**55,084,664**
Air Transportation					
Federal Aviation Administration					
Airport Improvement Program	3,159,617	3,127,758	3,285,443	3,166,777	3,499,162
Total Air Transportation Non-Federal Physical Property Investments	**3,159,617**	**3,127,758**	**3,285,443**	**3,166,777**	**3,499,162**
Total Non-Federal Physical Property Investments	**$55,213,497**	**$55,775,324**	**$56,822,753**	**$57,935,975**	**$58,583,826**

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

FTA provides grants to State and local transit authorities and agencies.

Formula Grants provide capital assistance to urban and nonurban areas and may be used for a wide variety of mass transit purposes, including planning, construction of facilities, and purchases of buses and railcars. Funding also includes providing transportation to meet the special needs of elderly individuals and individuals with disabilities.

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

The Washington Metropolitan Area Transit Authority provides funding to support the construction of the Washington Metrorail System.

FAA makes project grants for airport planning and development under the AIP to maintain a safe and efficient nationwide system of public-use airports that meet both present and future needs of civil aeronautics. FAA works to improve the infrastructure of the Nation's airports, in cooperation with airport authorities, State and local governments, and metropolitan planning authorities.

HUMAN CAPITAL INVESTMENT EXPENSES ANNUAL STEWARDSHIP INFORMATION (UNAUDITED)

For the periods ended September 30, 2019

Dollars in Thousands	2015	2016	2017	2018	2019
Surface Transportation					
Federal Highway Administration					
National Highway Institute Training	$738	$790	$352	$127	$40
Federal Motor Carrier Safety Administration					
Safety Grants	2,843	1,778	1,737	1,119	993
Federal Transit Administration					
National Transit Institute Training	4,098	3,763	4,290	2,519	—
National Highway Traffic Safety Administration					
Section 403 Highway Safety Programs	129,465	144,379	150,619	155,504	144,809
Highway Traffic Safety Grants	654,573	688,898	678,720	686,615	702,625
Pipeline and Hazardous Materials Safety Administration					
Hazardous Materials (Hazmat) Training	22,922	25,385	28,276	25,093	28,411
Total Surface Transportation Human Capital Investments	**814,639**	**864,993**	**863,994**	**870,977**	**876,878**
Maritime Transportation					
Maritime Administration					
State Maritime Academies Training[1]	13,319	22,202	20,335	24,375	23,613
Additional Maritime Training	323	262	584	456	334
Total Maritime Transportation Human Capital Investments	**13,642**	**22,464**	**20,919**	**24,831**	**23,947**
Total Human Capital Investments	**$828,281**	**$887,457**	**$884,913**	**$895,808**	**$900,825**

[1]Does not include funding for the Student Incentive Payment (SIP) program, which produces graduates who are obligated to serve in a reserve component of the United States armed forces. Does not include funding for maintenance and repair (M&R).

The National Highway Institute develops and conducts various training courses for all aspects of FHWA. Students are typically from the State and local police, State highway departments, public safety and motor vehicle employees, and U.S. citizens and foreign nationals engaged in highway work of interest to the Federal Government. Types of courses given and developed are modern developments, technique, management, planning, environmental factors, engineering, safety, construction, and maintenance.

FMCSA provides Motor Carrier Safety Assistance Program High Priority Grants to educate the general public about truck safety issues.

The FTA National Transit Institute develops and offers training courses to improve transit planning and operations. Technology courses cover such topics as alternative fuels, turnkey project delivery systems, communications-based train controls, and integration of advanced technologies.

NHTSA programs authorized under the HTF provide resources to State and local governments, private partners, and the public to effect changes in driving behavior on the Nation's highways to increase safety belt usage and reduce impaired driving. NHTSA provides technical assistance to all States on the full range of components of the impaired driving system as well as conducting demonstrations, training, and public information/education on safety belt usage.

PHMSA administers hazardous materials (hazmat) training. The purpose of hazmat training is to train State and local emergency personnel on the handling of hazmat in the event of a hazmat spill or storage problem.

MARAD's State Maritime Academies (SMA) program provides most of the Nation's pool of newly skilled U.S. merchant marine officers needed to serve the Nation's commercial maritime transportation needs. This program supports the competitiveness of a viable and robust merchant marine and contributes to national defense and homeland security. The SMA program provides funding for the Student Incentive Payment (SIP) program and training ship maintenance and repair for federally owned training ships (all part of the National Defense Reserve Fleet).

RESEARCH AND DEVELOPMENT INVESTMENTS ANNUAL STEWARDSHIP INFORMATION (UNAUDITED)

For the periods ended September 30

Dollars in Thousands	2015	2016	2017	2018	2019
Surface Transportation					
Federal Highway Administration					
Intelligent Transportation Systems	$35,530	$14,922	$6,371	$4,923	$3,054
Other Applied Research and Development	4,095	2,793	1,641	1,122	517
Federal Railroad Administration					
Railroad Research and Development Program	3,010	3,608	2,889	2,721	2,756
Federal Transit Administration					
Applied Research and Development					
Transit Planning and Research	8,031	16,086	20,318	33,330	31,333
Pipeline and Hazardous Materials Safety Administration					
Applied Research and Development					
Development Research and Development Pipeline Safety					
Applied Research and Development Pipeline Safety	15,815	4,213	712	15,074	12,722
Applied Research and Development Hazardous Materials	4,304	4,402	4,923	5,066	10,070
Office of the Assistant Secretary for Research and Technology					
Applied Research and Development					
Research and Technology	—	5,426	5,426	20,445	5,046
Total Surface Transportation Research and Development Investments	**70,785**	**51,450**	**42,280**	**82,681**	**65,498**
Air Transportation					
Federal Aviation Administration					
Research and Development Plant	17,711	19,766	21,314	25,887	17,711
Applied Research	106,363	110,363	117,736	103,265	105,201
Development[1]	93,972	138,483	169,961	141,540	165,049
Administration	34,321	39,959	40,016	40,046	34,321
Total Air Transportation Research and Development Investments	**252,367**	**308,571**	**349,027**	**310,738**	**322,282**
Total Research and Development Investments	**$323,152**	**$360,021**	**$391,307**	**$393,419**	**$387,780**

[1]The large increase to Development and decrease to Applied Research in FY 2015 is due to the reclassification of existing work to better align with OMB A-11 research definitions.

FHWA research and development programs are earmarks in the appropriations bills for the fiscal year. Typically, these programs are related to safety, pavements, structures, and environment. Intelligent Transportation Systems were created to promote automated highways and vehicles to enhance the National Highway System. The output is in accordance with the specifications within the appropriations act.

FTA supports research and development in transit planning and research in two major areas: the National Research Program and the Transit Cooperative Research Program. The National Research Program funds the research and development of innovative transit technologies such as safety-enhancing commuter rail control systems, hybrid electric buses, and fuel cell- and battery-powered propulsion systems. The Transit Cooperative Research Program focuses on issues significant to the transit industry with emphasis on local problem solving research.

FRA research and development projects contribute vital inputs to its safety regulatory processes; to railroad suppliers; to railroads involved in transportation of freight, intercity passengers, and commuters; and to railroad employees and their labor organizations. FRA-owned facilities provide the infrastructure necessary to conduct experiments and test theories, concepts, and new technologies in support of the research and development program.

PHMSA funds research and development activities for the following organizations and activities. The Office of Pipeline Safety is involved in research and development in information systems, risk assessment, mapping, and nondestructive evaluation. The Office of Hazardous Materials is involved in research, development, and analysis in regulation compliance, safety, and information systems.

The OST Office of the Assistant Secretary for Research and Technology (formerly Research and Innovative Technology Administration) is the research and innovation focal point in advancing DOT strategic goals. This office works across the Department by collaborating with partners from other Federal agencies, State and local governments, universities, stakeholder organizations, transportation professionals, and system operators.

FAA conducts research and provides the essential air traffic control infrastructure to meet increasing demands for higher levels of system safety, security, capacity, and efficiency. Research priorities include aircraft structures and materials; fire and cabin safety; crash injury-protection; explosive detection systems; improved ground and inflight deicing operations; better tools to predict and warn of weather hazards, turbulence, and wake vortices; aviation medicine; and human factors.

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1. SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion: Unmodified
Restatement: No

Material Weaknesses	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None noted	0	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**	**0**

TABLE 2. SUMMARY OF MANAGEMENT ASSURANCES

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA, SECTION 2)

Statement of Assurance: Unmodified

Material Weaknesses	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None noted	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA, SECTION 2)

Statement of Assurance: Unmodified

Material Weaknesses	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None noted	0	0	0	0	0	0
Total Material Weaknesses	**0**	**0**	**0**	**0**	**0**	**0**

CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA, SECTION 4)

Statement of Assurance: Systems comply

Non-Conformances	BEGINNING BALANCE	NEW	RESOLVED	CONSOLIDATED	REASSESSED	ENDING BALANCE
None noted	0	0	0	0	0	0

CONFORMANCE WITH FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

	AGENCY	AUDITOR
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

FFMIA = Federal Financial Management Improvement Act. USSGL = United States Standard General Ledger.

U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Memorandum

Date: October 23, 2019

Subject: INFORMATION: DOT's Fiscal Year 2020 Top Management Challenges
Report No. PT2020003

From: Calvin L. Scovel III
Inspector General

Calvin L. Scovel III

To: The Secretary
Acting Deputy Secretary

A safe, efficient, and modern transportation system is fundamental to our Nation's economy and the quality of life for American people and communities. The Department of Transportation (DOT) invests nearly $80 billion annually to build, maintain, and enhance this system. Since 1978, the Office of Inspector General (OIG) has supported the Department's mission through audits and investigations that improve the performance and integrity of our Nation's wide-ranging transportation programs. As required by law, we report annually on DOT's top management challenges to help the Department focus attention on the most serious management and performance issues it will face in the coming year.

DOT's top priority is to make the U.S. transportation system the safest in the world. In support of this goal, the Federal Aviation Administration (FAA) has updated its strategy for overseeing the safety of air carriers in recent years. Yet recent events have highlighted challenges FAA faces in meeting its safety mission, including two devastating fatal crashes and the subsequent March 2019 grounding of the Boeing 737 MAX aircraft. FAA must effectively balance collaboration with enforcement as it oversees air carriers' safety programs, while also working to restore public confidence in its aircraft certification processes.

Another critical aspect of DOT's goal is to enhance the safety of our Nation's roads, pipelines, and rail lines. The number of commercial vehicle-related fatalities increased 11 percent between 2013 and 2018. Ensuring commercial drivers are qualified to safely operate large trucks and buses, while prioritizing motor carriers for interventions, will be key to improving safety. At the same time, the Department can do more to oversee and enforce the safety of aging pipeline infrastructure, in part by improving how it targets management and inspection resources. In addition, the Department must continue its efforts to reduce railroad incidents and fatalities by improving safety at railroad grade crossings and overseeing railroads' ongoing implementation of safety-critical Positive Train Control systems.

The Department also faces challenges to meet its strategic priorities of improving transportation infrastructure and fostering accountability. This includes maximizing its ongoing multibillion-dollar investment in modernizing the Nation's air traffic control systems to improve safety and efficiency. To meet this goal, FAA must focus on ensuring its new capabilities achieve their expected benefits in a cost-effective manner. FAA will also need to devote sustained management attention to address risks associated with its ongoing effort to partner with other Government agencies to finance and deploy new radar systems at an estimated cost of $12 billion.

Furthermore, the Department must continue to pursue effective stewardship of the more than $50 billion it invests each year in building, maintaining, and repairing our Nation's surface infrastructure. To safeguard taxpayer dollars, DOT can enhance its processes for targeting oversight and managing risks for its many contract and grant programs, including those for Federal-aid highway projects and high-speed rail. The Department can also promote accountability by capitalizing on oversight assistance, such as the Federal Transit Administration's use of integrity monitors to help oversee disaster recovery projects.

Finally, the Department has a number of opportunities to pursue its strategic goal of innovation as it works to prepare for the future of transportation. To better position itself for the future, DOT must first ensure it has adequately resolved longstanding cybersecurity weaknesses—some of which we have reported for 10 years. Implementing effective oversight and internal controls will be critical to protect DOT's more than 450 information technology systems from increasingly complex and evolving cyber threats.

As the Fixing America's Surface Transportation (FAST) Act of 2015[1] concludes and a new authorization begins, the Department's challenge will be to address the impact of emerging technologies and rapidly growing industries, including automated vehicles, Unmanned Aircraft Systems, and commercial space activities. Further, the Department can better meet the increasing and evolving demands on the Nation's transportation system by effectively leveraging innovative financing, including public-private partnerships; supporting research and development; and reshaping its workplaces to meet future needs.

We considered several criteria to identify the Department's top management challenges for fiscal year 2020, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change. In the enclosed report, we identify and discuss the following challenges:

- Restoring Confidence in FAA's Aircraft Certification Process
- Effectively Leveraging Collaboration and Enforcement in FAA's Evolving Air Carrier Safety Oversight Approach
- Maximizing FAA's Airspace Modernization Investments and Ensuring New Capabilities Achieve Expected Benefits

[1] Pub. L. No. 114-94.

- Enhancing Oversight and Internal Controls To Address Longstanding Cybersecurity Vulnerabilities
- Maintaining and Enforcing Pipeline and Hazardous Materials Safety
- Enhancing Enforcement and Data Analysis To Reduce Commercial Vehicle-Related Fatalities
- Continuing National Efforts To Improve Railroad Safety
- Effectively Overseeing Billions in Surface Infrastructure Investments
- Preparing for the Future of Transportation

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

If you have any questions regarding this report, please contact me at (202) 366-1959. You may also contact Joseph W. Comé, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1427.

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cc: DOT Audit Liaison, M-1

CHAPTER 1

RESTORING CONFIDENCE IN FAA'S AIRCRAFT CERTIFICATION PROCESS

The Federal Aviation Administration (FAA) is charged with overseeing the safety and certification of all civilian aircraft manufactured and operated in the United States.[2] This is a significant undertaking given that the U.S. civil aviation industry encompasses more than 230,000 aircraft, 1,600 approved manufacturers, and 5,200 aircraft operators, among others. While FAA has historically maintained an excellent safety record, two fatal accidents in October 2018 and March 2019 and the subsequent grounding of Boeing 737 MAX aircraft have raised significant concerns about the certification of the 737 MAX and FAA's use of delegation authority to certify new aircraft designs.

KEY CHALLENGES

- Resolving certification issues related to the Boeing 737 MAX aircraft.
- Enhancing FAA's oversight of aircraft certification processes.

Resolving Certification Issues Related to the Boeing 737 MAX Aircraft

On October 29, 2018, Lion Air Flight 610 crashed into the Java Sea shortly after departing Jakarta, Indonesia, resulting in 189 fatalities. Five months later, on March 10, 2019, Ethiopian Air Flight 302 crashed shortly after departing Addis Ababa, Ethiopia, resulting in 157 fatalities, including 8 Americans. Both accidents involved the Boeing 737 MAX 8 aircraft, a newer model aircraft that received FAA certification in March 2017.

While investigations into the causes of these accidents are ongoing, early indications point to a software component, the Maneuvering Characteristics Augmentation System (MCAS), as being at least a contributing factor. This software can cause the aircraft's horizontal stabilizer[3] to move without pilot input. Further, certain assumptions Boeing and FAA made about how pilots would respond to uncommanded stabilizer movement have been called into question. On November 7, 2018, FAA issued an Emergency Airworthiness Directive requiring operators of the 737 MAX to revise their flight manuals to reinforce to flight crews how to recognize and respond to uncommanded stabilizer movement. Boeing also began working on a software fix related to MCAS. After the second accident, FAA decided on March 13, 2019, to ground all 737 MAX airplanes operated by U.S. airlines or in U.S. territory pending further investigation. According to FAA, the Agency is working with aviation authorities in other countries, which also grounded the MAX, on efforts to ensure that the aircraft is safe before flights can resume.

In March 2019, Secretary of Transportation Elaine L. Chao requested that we initiate an audit to compile an objective and detailed factual history of the activities that resulted in the certification of the Boeing 737 MAX 8. We also received a series of congressional requests to review aspects of FAA's process to certify the MAX series of aircraft, including human factors and pilot training issues, as well as the Agency's actions following each of the two accidents. We launched our review immediately, and it is currently ongoing. Other groups, such as the National Transportation Safety Board and a panel of experts, are also reviewing the aircraft certification process and will likely make recommendations. Resolving any identified issues related to the certification of the Boeing 737 MAX aircraft will be a key challenge for the Department and FAA as they work to restore confidence in the overall aircraft certification process.

Enhancing FAA's Oversight of Aircraft Certification Processes

Recognizing that it is not possible for FAA employees to oversee every facet of such a large industry, Federal law[4] allows the Agency to delegate certain functions to private individuals or organizations. Designees can perform a substantial amount of critical certification work on FAA's behalf. For example, in 2018, one aircraft manufacturer approved about 95 percent of the certification activities for its own aircraft. In 2009, FAA fully implemented the Organization Designation Authorization (ODA) program to standardize its oversight of organizations (e.g., manufacturers) that are approved to perform certain delegated functions on its behalf.

While delegation is an essential part of meeting FAA's certification goals, the Agency faces the significant oversight challenge of ensuring that ODA companies maintain high standards and comply with FAA safety regulations. Our work over the years on the ODA program has identified management weaknesses with a number of FAA's oversight processes. For example, our 2011 report identified inconsistencies in how FAA aircraft certification offices interpreted FAA's role and tracked ODA personnel for oversight. In response to our findings, FAA improved its training and guidance for FAA engineers responsible for overseeing ODA employees, leaving them better positioned to detect regulatory noncompliances and take enforcement actions.

[2] 49 U.S.C. 44702.

[3] A control surface near the tail of the airplane that controls up and down movement of the airplane.

[4] 49 U.S.C § 44702 (d).

In 2015, we reported that FAA's oversight of ODA program controls was not systems- and risk-based,[5] as recommended by an aviation rulemaking committee,[6] but rather was more focused on individual engineering projects and areas that were low risk. For example, FAA had not provided oversight teams with tools or guidance on data they should use to identify the highest risk areas. Another gap in FAA's oversight pertained to companies that produce and supply components to other manufacturers. FAA performed oversight of only 4 percent of personnel conducting certification work on the Agency's behalf at suppliers in the period we reviewed.

In responding to our 2015 report, FAA recognized the need to improve its oversight of organizations performing certifications or other functions on its behalf. By March 2020, FAA plans to introduce a new process that represents a significant change in its approach to overseeing ODA companies. For example, the new process will include identifying critical system elements and developing new evaluation criteria. While revamping FAA's oversight process will be an important step, continued management attention will be key to ensure the Agency identifies and monitors the highest-risk and safety-critical areas of aircraft certification.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following related documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov.**

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
Perspectives on Overseeing the Safety of the U.S. Air Transportation System (March 27, 2019)	0	0
FAA Lacks an Effective Staffing Model and Risk-Based Oversight Process for Organization Designation Authorization (October 15, 2015)	9	1
FAA Needs To Strengthen Its Risk Assessment and Oversight Approach for Organization Designation Authorization and Risk-Based Resource Targeting Programs (June 29, 2011)	6	0
Total	**15**	**1**

For more information on the issues identified in this chapter, please contact Matthew E. Hampton, Assistant Inspector General for Aviation Audits, at (202) 366-0500.

CHAPTER 2

EFFECTIVELY LEVERAGING COLLABORATION AND ENFORCEMENT IN FAA'S EVOLVING AIR CARRIER SAFETY OVERSIGHT APPROACH

The Federal Aviation Administration (FAA) is responsible for maintaining the safety of a diverse, complex, and rapidly evolving aviation industry. Notwithstanding the Nation's air carrier safety record, recent events have highlighted challenges that FAA faces in its safety oversight and garnered both public interest and congressional attention. These include the April 2018 Southwest Airlines engine failure—which resulted in the first fatality at a U.S. commercial passenger air carrier[7] in over 9 years—and several safety incidents at airports, such as the near miss of an Air Canada Flight in San Francisco in July 2017. In recent years, FAA's systems and strategies for safety oversight have evolved, with air carriers taking on a larger role in identifying and mitigating safety risks. However, to maintain the highest level of safety, FAA must strike an effective balance between collaboration and enforcement when overseeing critical air carrier safety programs.

[5] Systems-based oversight shifts from focusing on individual project engineering work to holistically assessing whether ODA companies have the people, processes, procedures, and facilities in place to produce safe products, thus allowing FAA to focus its oversight on the highest-risk areas, such as new, innovative aircraft designs.

[6] Aircraft Certification Process Review and Reform Aviation Rulemaking Committee, a joint FAA and industry group, formed in response to a congressional mandate to study the aircraft certification process.

[7] This was the first passenger fatality at a 14 CFR Part 121 (Operating Requirements: Domestic, Flag, and Supplemental Operations) air carrier since February 12, 2009.

KEY CHALLENGES

- Balancing collaboration and enforcement through FAA's Compliance Program.
- Overseeing air carriers' new systems for managing safety risks.

Balancing Collaborating and Enforcement Through FAA's Compliance Program

For the last several years, FAA has worked to revamp its strategy for overseeing the safety of the aviation industry. In particular, FAA has increasingly shifted to working with the industry to meet shared safety goals. However, as FAA establishes a more collaborative approach to safety oversight, strong management attention is critical to ensure the Agency's evolving strategy advances its safety mission.

In 2015, FAA implemented a new Compliance Philosophy as part of its safety oversight strategy. The Compliance Program, as it is now known, works from the premise that the greatest safety risks in the industry do not arise from specific events or outcomes, but from operators that are unwilling or unable to comply with safety rules and best practices. The program's goals are to achieve rapid compliance, eliminate safety risks, and ensure positive and permanent changes. The Compliance Program also emphasizes FAA's preference for collaborating with air carriers through education and training over penalizing carriers as a means to address violations. Through the program, FAA works with air carriers to address the root causes of safety violations rather than imposing enforcement actions—a significant change in the way FAA and the airlines address compliance and safety issues.

Preliminary results from our ongoing audit of FAA's oversight of Allegiant Air highlights the complex challenges the Agency faces in implementing this oversight approach and addressing the root cause of air carrier maintenance violations. For example, a longstanding maintenance issue at Allegiant Air resulted in a series of in-flight engine shutdowns and unscheduled landings, indicating that the root cause of the maintenance issue had not been assessed or corrected.

Our ongoing work also focuses on whether FAA provides inspectors with the guidance and tools they need to effectively oversee air carriers via the Compliance Program. For example, under the program, inspectors do not consider the severity of maintenance errors when determining whether to initiate punitive action. However, serious violations—including failure to complete a required inspection—might warrant a more stringent oversight approach, such as assessing monetary penalties. Furthermore, FAA's guidance allows inspectors to close out compliance actions before ensuring that the carrier actually took any corrective actions.

While FAA's Compliance Program offers a new strategy for addressing risk, such as insufficient maintenance practices, the Agency will face challenges in keeping its oversight robust to ensure airlines assess root causes and implement effective actions to correct deficiencies in a timely manner. One issue we will assess in future work is FAA's implementation of the Compliance Program across the industry, including whether the philosophy is appropriate for all air carriers, regardless of current working relationships, business models, and operating environments.

Overseeing Air Carriers' New Systems for Managing Safety Risks

Parallel to FAA's implementation of its Compliance Program, the Agency established requirements for part 121 air carriers[8] to implement safety management systems (SMS)—a formal, top-down approach to managing safety risks. Under SMS, carriers must identify the root causes of hazards and proactively manage risk to prevent accidents. While FAA required air carriers to implement SMS by March 2018, recent events—including the April 2018 Southwest Airlines fatal engine failure—have raised concerns that FAA's oversight may not ensure that air carriers meet risk-mitigation responsibilities. The National Transportation Safety Board is currently investigating the Southwest Airlines engine failure. Preliminary reports indicate similarities with an engine incident on a Southwest Airlines aircraft in 2016.

In our ongoing assessment of FAA's oversight of Southwest Airlines' systems for managing risk, we are focusing on a number of safety-related concerns raised through an OIG hotline complaint. These concerns include aircraft weight and balance inaccuracies that can affect flight phases, missed maintenance requirements, and the process FAA uses to verify the airworthiness of used aircraft prior to allowing them to enter revenue service.

Ultimately, while air carriers' SMS are important for the safety of the National Airspace System, FAA must exercise regulatory oversight and intervene in a timely manner to ensure that carriers take actions to identify and reduce safety risks. Enhancing risk-based oversight, effectively leveraging industry collaboration and enforcement, and fostering a strong safety culture will remain key challenges for FAA as it works to implement its new oversight strategies and ensure the safety of the traveling public.

[8] 14 CFR Part 121.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov.**

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
Perspectives on Overseeing the Safety of the U.S. Air Transportation System (March 27, 2019)	0	0
Total	**0**	**0**

For more information on the issues identified in this chapter, please contact Matthew E. Hampton, Assistant Inspector General for Aviation Audits, at (202) 366-0500.

CHAPTER 3

MAXIMIZING FAA'S AIRSPACE MODERNIZATION INVESTMENTS AND ENSURING NEW CAPABILITIES ACHIEVE EXPECTED BENEFITS

The Federal Aviation Administration (FAA) continues to modernize the National Airspace System (NAS) through the multibillion-dollar Next Generation Air Transportation System (NextGen) program. As envisioned, NextGen will provide safer, more efficient air traffic management by 2025. However, while it has implemented new capabilities, FAA still faces challenges in upgrading aging infrastructure, continuing NextGen's deployment, and achieving intended benefits in a cost-effective manner.

KEY CHALLENGES

- Sustaining and modernizing the En Route Automation Modernization (ERAM) system while integrating new capabilities.
- Realizing the anticipated benefits of Automatic Dependent Surveillance-Broadcast (ADS-B) investments.
- Resolving obstacles to implementing new flight procedures and delivering benefits to airspace users.
- Auctioning off electromagnetic spectrum to finance and deploy new radars.

Sustaining and Modernizing ERAM While Integrating New Capabilities

Controllers rely on ERAM at 20 facilities nationwide to manage high-altitude air traffic. ERAM is a foundational system for NextGen that supports adding new capabilities central to improving the efficiency of the NAS, such as satellite-based navigation and high-altitude data communications. FAA has begun sustainment and software enhancement efforts for ERAM that will replace the system's original hardware, add enhanced system capabilities, and introduce improvements for the controller workforce through 2025 and beyond. The Agency is also integrating another key NextGen capability—Data Communications (DataComm)—with ERAM. DataComm will provide high-altitude, two-way digital communications between controllers and flight crews to reduce radio voice communications, improving accuracy and safety. Working with the airlines, FAA had originally planned to implement DataComm for controllers and pilots at high-altitude facilities from 2019 through 2021. However, air-to-ground network problems and aircraft avionics issues have resulted in the Agency delaying operational deployment by at least 4 months. As a result, FAA faces significant challenges in deploying DataComm while replacing ERAM's aging hardware, implementing other software enhancements, and resolving aircraft avionics concerns.

Realizing the Anticipated Benefits of ADS-B Investments

Another cornerstone of NextGen is the ADS-B system, a Global Positioning System technology that would allow FAA to transition from a ground-based radar to a more precise satellite-based surveillance system. In addition to increasing safety, the technology is intended to allow controllers to reduce separation between aircraft, generating increased capacity and operational efficiencies for airspace operators while reducing FAA's operating and legacy costs with existing radar. According to FAA, it has initiatives ongoing that will capitalize on the operational and safety benefits envisioned when the ADS-B program was launched. However, it is uncertain when these potential benefits will be realized.

While FAA has invested over a billion dollars for the ground infrastructure to implement ADS-B, airspace users must purchase and install new avionics on their aircraft to utilize it. To encourage these installations, FAA issued a final rule in May 2010 requiring operators that fly in most controlled airspace to install ADS-B *Out*[9]—which provides the capability to broadcast an aircraft's flight position data to ADS-B's ground system and controller displays—by January 1, 2020. Although some segments of the industry were initially slow to equip, preliminary results from our ongoing audit have found that nearly 79,000 commercial, international, and general aviation operators had ADS-B *Out* on their aircraft, an increase of nearly 81 percent since May 1, 2018. FAA and industry officials anticipate that most operators who intend on flying in ADS-B airspace will meet the 2020 deadline.

However, despite its considerable investment, FAA still faces challenges in realizing the operational benefits and cost savings of ADS-B. These challenges include implementing procedures to take advantage of increased airspace capacity and implementing plans to reduce its radar infrastructure.

Resolving Obstacles to Implementing New Flight Procedures and Delivering Benefits to Airspace Users

Performance-Based Navigation (PBN) is a top investment priority for FAA and industry under NextGen. New PBN flight procedures can provide significant benefits to airspace users—including more direct flight paths, increased airspace capacity, improved on-time airport arrival rates, and reduced aircraft emissions and fuel burn.

In 2010, as part of its PBN implementation efforts, FAA established the Metroplex program to increase efficiency in congested metropolitan areas with multiple airports. While FAA has completed Metroplex implementation at 7 of the 12 Metroplex locations, the Agency does not expect to complete the remaining sites until 2021—4 years later than originally planned.

Our past and current work has identified challenges to implementing PBN and achieving expected program timeframes and outcomes. These challenges include addressing increased community concerns about aircraft noise and resolving key barriers, such as the lack of automated decision support tools for controllers, unclear terminology used by pilots and controllers for referring to flight paths, and the lengthy procedure amendment process.

Further, as we recently reported, Metroplex benefits to airspace users have fallen well short of predictions. Although FAA expected numerous benefits from Metroplex, such as fuel savings, post-implementation analyses show estimated annual benefits of $31.1 million, which is $30.5 million (49.5 percent) less than the initial minimum amount FAA expected at each completed site. Most sites did not achieve expected fuel savings for various reasons, including designs that increased time and distance flown for some procedures, and factors not initially considered, such as changes in wind speeds. FAA officials stated that the Agency has achieved other benefits that are difficult to quantify, such as increased safety, reduced controller-pilot task complexity, and de-conflicted air traffic routes. Airspace users acknowledge they received some benefits, but FAA continues to face challenges in meeting program expectations.

Auctioning Electromagnetic Spectrum To Finance and Deploy New Radars

FAA depends on a vast but aging network of radar systems to manage air traffic and collect weather information. This infrastructure, which has been in service longer than originally planned, is increasingly difficult and expensive to maintain. FAA has partnered with three other Agencies—the National Oceanic and Atmospheric Administration (NOAA), Department of Defense, and Department of Homeland Security—in the Spectrum Efficient National Surveillance Radar (SENSR)[10] program. SENSR will auction Government-owned electromagnetic spectrum frequencies and use the revenue to finance and deploy new radars to meet the needs of all Agencies for surveillance for air traffic, weather, law enforcement, and national defense. FAA currently plans to award a contract in 2021 and auction the spectrum in 2024.

Although the program is still in the early stages, we recently reported that the Agency faces a number of high risks and challenges in advancing SENSR, including an aggressive schedule and uncertainties regarding how much revenue the auction will generate. We made recommendations to improve the coordination, planning, and risk mitigation of the SENSR program, which is currently estimated to cost $12 billion. As it works to address risks and advance the program, FAA faces a significant challenge in the complex coordination it will need to combine the diverse goals and requirements of each of its Agency partners into a single program. Given the anticipated schedule, costs, and complexity of integrating a new multibillion-dollar system into the NAS, sustained management attention is needed to address these challenges and achieve SENSR's envisioned capabilities.

[9] ADS-B's In capability displays flight information, including the locations of other aircraft, in the cockpit. FAA has not mandated installation of ADS-B *In.*

[10] In August 2018, NOAA largely withdrew from the program due to the associated risks, but plans to remain in an advisory role.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
Letter to Chairmen DeFazio and Larson and Ranking Members Graves and Graves Regarding ADS-B Out Equipage (September 12, 2019)	0	0
FAA Has Made Progress in Implementing Its Metroplex Program, but Benefits for Airspace Users Have Fallen Short of Expectations (August 27, 2019)	5	5
FAA Has Taken Steps To Advance the SENSR Program, but Opportunities and Risks Remain (April 23, 2019)	2	2
FAA Has Taken Steps To Address ERAM Outages, but Some Vulnerabilities Remain (November 7, 2018)	3	3
FAA Needs To Strengthen Its Management Controls Over the Use and Oversight of NextGen Developmental Funding (March 6, 2018)	6	4
FAA Has Made Progress Implementing NextGen Priorities, but Additional Actions Are Needed To Improve Risk Management (October 18, 2017)	0	0
FAA Has Not Effectively Deployed Controller Automation Tools That Optimize Benefits of Performance-Based Navigation (August 20, 2015)	4	0
FAA Faces Significant Obstacles in Advancing the Implementation and Use of Performance-Based Navigation Procedures (June 17, 2014)	3	0
Total	**23**	**14**

For more information on the issues identified in this chapter, please contact Matthew E. Hampton, Assistant Inspector General for Aviation Audits, at (202) 366-0500.

CHAPTER 4

ENHANCING OVERSIGHT AND INTERNAL CONTROLS TO ADDRESS LONGSTANDING CYBERSECURITY VULNERABILITIES

The Department of Transportation's cybersecurity program is critical to protect its vast network of information technology (IT) systems from malicious attacks or other breaches that may inhibit DOT's ability to carry out its mission. However, the Department faces challenges in strengthening its oversight and internal controls to resolve longstanding cybersecurity vulnerabilities, some of which we have reported for more than 10 years. In addition, the Federal Aviation Administration (FAA) must work to implement congressionally mandated initiatives aimed at protecting critical systems within the National Airspace System (NAS).

KEY CHALLENGES

- Addressing longstanding cybersecurity vulnerabilities and strengthening internal controls.
- Implementing congressionally mandated aviation cybersecurity initiatives to protect flight-critical systems.

Addressing Longstanding Cybersecurity Vulnerabilities and Strengthening Internal Controls

DOT relies on over 450 IT systems to perform and support its mission. However, the Department's cybersecurity program remains ineffective. To protect its information and information systems and ensure they operate properly and continue to operate during disruptions, the Department's Office of the Chief Information Officer (OCIO) must establish effective internal controls, especially continuous management oversight.

For the past decade, we have identified and reported significant deficiencies in the Department's cybersecurity posture during our annual reviews of the Department's information security program under the Federal Information Security Management Act of 2002 (FISMA).[11] Many of these deficiencies have appeared in our FISMA reports numerous times (see table).

Significant DOT Cybersecurity Deficiencies Identified and Number of Times Reported in OIG FISMA Reports Since 2009

SIGNIFICANT DEFICIENCY	NUMBER OF YEARS REPORTED
Inadequate inventory of hardware and/or software assets	10
High numbers of systems operating without proper authorization	10
Insufficient visibility into DOT networks in order to maintain an effective incident response capability	10
Inability to provide adequate security awareness training and/or specialized training as required	10
Incomplete deployment of personal identity verification cards and/or multi-factor identification	9
Insufficient or untimely weakness remediation	10
Inadequate or lack of evidence of testing of current security control assessments or monitoring of system security controls	10
Inadequate configuration management	10
Inadequate management of common or shared controls	10
Incomplete execution of controls pertaining to privacy related systems	8

Source: OIG analysis.

[11] The Federal Information Security Management Act (FISMA) of 2002, as amended in 2014 (Pub. L. No. 113-283), requires agencies to develop, implement, and document Departmentwide information security programs. FISMA also requires inspectors general to annually evaluate the effectiveness of these programs and report the results to the Office of Management and Budget.

During this period, the Department established an effective process to develop cybersecurity policy. As a result, it has reached level two in the Office of Management and Budget and Department of Homeland Security's five-level FISMA maturity model, meaning it has issued policy to define its security program. However, the number of longstanding and unresolved weaknesses demonstrates that the Department has not implemented sound internal controls. One important challenge to successful policy and control implementation that remains is strengthening OCIO's program oversight.

In the past, the Department expanded the use of its FISMA reporting and oversight tool, known as the Cyber Security Assessment and Management tool (CSAM), to improve its cybersecurity posture. However, as we noted in our most recent FISMA report, CSAM contains inaccurate data, is missing information, is not updated in a timely manner or at all, and is not checked for accuracy. For example, in fiscal year 2018, the number of plans of action and milestones (POA&M)—which detail the Department's plans to remediate detected security weaknesses—jumped from 4,529 to 9,793 because 5,264 POA&Ms were not reported timely. These data inaccuracies inhibit OCIO's ability to use CSAM to assess the status of and oversee its cybersecurity program.

DOT policy states that OCIO should conduct program performance oversight and reviews of Operating Administrations' (OA) cybersecurity programs. This oversight and analysis covers several aspects of FISMA, including whether the OAs' systems: (1) are authorized to operate and have required security upgrades and tested controls, (2) are categorized at the appropriate security impact levels, (3) have established and tested contingency plans, (4) conform to established baseline security configuration standards, and (5) have been remediated for vulnerabilities. However, in our two most recent FISMA audits, we have found that OCIO was not conducting this oversight and analysis of the OAs. This lack of oversight likely contributes to the recurrence of numerous weaknesses and to DOT's lack of awareness of some of these vulnerabilities.

Since our last FISMA audit, we have found instances in which the absence of proper controls has resulted in exploitable weaknesses. During our audit testing, we have been able to, among other things:

- Penetrate networks,
- Use hacking techniques to obtain personnel's private information,
- Locate millions of records with personally identifiable information,
- Identify thousands of system vulnerabilities, and
- Use social engineering to obtain passwords.

Without OCIO oversight to establish effective cybersecurity internal controls, DOT will continue to face challenges in reducing the risk of external cyberattacks or insider threats that may expose sensitive information and compromise the Department's safety mission.

Implementing Aviation Cybersecurity Initiatives To Protect Flight-Critical Systems

Like the Department overall, FAA operates a complex array of information technology systems that range from legacy radar systems to the integration of new satellite-based systems used for tracking aircraft and communication between pilots and controllers. While these systems allow for the efficient distribution of information, their interconnectivity creates exposure to cybersecurity vulnerabilities outside FAA's control. The Agency will face challenges in protecting these systems from rapidly evolving cyber-based threats in an expanding environment that requires the cooperation of aviation industry stakeholders from airlines, airports, and manufacturers.

In 2016, the FAA Extension, Safety, and Security Act[12] directed the Agency to establish a new "total systems" approach[13] to enhance its ongoing efforts to secure the NAS. In March 2019, we reported that FAA must improve its efforts to protect flight-critical systems and therefore the safety of aviation passengers from cyberattacks. While FAA has taken initial steps to address cybersecurity, it has not completed a comprehensive and strategic framework of policies designed to identify and mitigate cybersecurity risks. In August 2016, a working group made 30 recommendations covering cybersecurity rulemaking and regulatory areas that FAA is considering for its framework. We reported that FAA had addressed 15 of the 30 recommendations, had 11 in progress, and had not decided whether to implement the final 4.[14] We are currently reviewing cybersecurity coordination and collaboration activities between FAA and the Departments of Defense and Homeland Security aimed at identifying and mitigating cybersecurity vulnerabilities in systems affecting the aviation industry and the public.

[12] Pub. L. No. 114-190 (2016).

[13] A total systems approach takes into account the interactions and interdependence of aircraft system components and the NAS.

[14] Status as of August 2018.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
FAA Has Made Progress But Additional Actions Remain To Implement Congressionally Mandated Cyber Initiatives (March 20, 2019)	3	3
The Maritime Administration's Information Technology Infrastructure Is at Risk for Compromise (July 24, 2019)	19	19
FISMA 2018: DOT's Information Security Program and Practices (March 20, 2019)	12	12
FISMA 2017 DOT's Information Security Posture Is Still Not Effective (January 24, 2018)	8	8
FISMA 2016: DOT Continues To Make Progress, but the Department's Information Security Posture Is Still Not Effective (November 9, 2016)	8	8
FISMA 2015: DOT Has Major Success in PIV Implementation, but Problems Persist in Other Cybersecurity Areas (November 5, 2015)	9	4
FISMA 2014: DOT Has Made Progress but Significant Weaknesses in Its Information Security Remain (November 14, 2014)	16	3
FISMA 2013: DOT Has Made Progress, but Its Systems Remain Vulnerable to Significant Security Threats (November 22, 2013)	8	4
FISMA 2012: Ongoing Weaknesses Impede DOT's Progress Toward Effective Information Security (November 14, 2012)	5	0
FISMA 2011: Persistent Weaknesses in DOT's Controls Challenge the Protection and Security of Its Information Systems (November 14, 2011)	5	2
FISMA 2010: Timely Actions Needed To Improve DOT's Cybersecurity (November 15, 2010)	27	1
FISMA 2009: Audit of Information Security Program November 18, 2009)	27	0
Total	**147**	**64**

For more information on the issues identified in this chapter, please contact Louis C. King, Assistant Inspector General for Financial and Information Technology Audits, at (202) 366-1407, and Matthew E. Hampton, Assistant Inspector General for Aviation Audits, at (202) 366-0500.

CHAPTER 5

MAINTAINING AND ENFORCING PIPELINE AND HAZARDOUS MATERIALS SAFETY

The Pipeline and Hazardous Materials Safety Administration (PHMSA) regulates a vast network of facilities, including nearly 3,500 companies that operate 2.8 million miles of pipelines, 157 liquefied natural gas (LNG) plants, 403 underground gas storage facilities, and 8,240 hazardous liquid breakout tanks. The Agency also oversees the companies that send more than 1 million daily shipments of hazardous materials (hazmat) via land, sea, and air. Pipeline incidents can have far-reaching consequences, resulting in fatalities and injuries and causing property and environmental damage. For example, in September 2018, natural gas explosions in Massachusetts's Merrimack Valley resulted in 1 fatality and 21 serious injuries, and the destruction of 131 structures. The natural gas distribution system involved in this incident had been installed in the early 1900s and partially upgraded after the 1940s. Safety oversight of the Nation's aging pipeline infrastructure is an ongoing public concern, and PHMSA recognizes the need for repair and replacement efforts. An overall challenge for the Agency is targeting management and inspection resources to ensure its State, local, and private counterparts comply with safety-related laws and requirements. PHMSA can further protect the public by referring allegations of criminal violations of pipeline and hazmat laws and regulations to OIG for investigation in a more consistent manner.

KEY CHALLENGES

- Hiring and retaining staff to oversee the safety of pipelines facilities, including LNG plants.
- Referring allegations of violations of Federal laws that regulate pipeline safety and hazardous materials to OIG for investigation.

Hiring and Retaining Staff To Oversee the Safety of Pipelines Facilities, Including LNG Plants

PHMSA's Office of Pipeline Safety works with State inspectors to administer the Department's national regulatory program to ensure the safe transportation of natural gas, petroleum, and other hazardous liquids by pipeline. Demand for PHMSA oversight of LNG facilities is likely to increase over time, as daily LNG exports from the United States are projected to rise from about 2 billion cubic feet in 2017 to 14 billion cubic feet in 2030.[15] In addition, PHMSA is taking on an expanded role by reviewing permits for LNG export terminals and inspecting them for compliance with DOT's LNG safety regulations and industry standards.

In 2017, we reported that because PHMSA had not updated its workforce plan since 2005, it could not be sure it had aligned its staffing resources to meet its mission. We also determined that industry-specific conditions had created recruitment challenges for PHMSA, and even direct hiring authority might not provide the tools the Agency needs in a competitive environment driven by salary. Moreover, PHMSA does not have the authority to establish higher rates of basic pay to address recruiting and retention challenges. In response to our recommendation, and in anticipation of its expanded role with LNG terminals, PHMSA has improved its workforce management plans but still faces challenges associated with hiring and retaining a highly qualified workforce. For example, in 2018, PHMSA issued a comprehensive Strategic Work Force Plan. However, the Agency still must complete an in-depth compensation study comparing regional salaries to determine whether it should use a special rate of pay for general engineers. According to PHMSA officials, that study will become the business case for requesting approval for the higher rates of basic pay from DOT and the Office of Personnel Management.

We have two ongoing audits examining potential challenges within PHMSA's workforce culture that could impact the Agency's safety mission, as well its oversight of LNG facilities' compliance with Federal standards.

Referring Allegations of Criminal Violations of Federal Laws That Regulate Pipeline Safety and Hazardous Materials to OIG for Investigation

OIG plays a crucial role in fulfilling PHMSA's and DOT's mission by detecting and preventing waste, fraud, abuse, and mismanagement, as well as providing criminal enforcement for violations of law to complement broader civil and administrative efforts. In order for OIG to fulfill this role, it is necessary that PHMSA and other Operating Administrations notify us whenever circumstances appear to indicate a potential criminal violation.

Our recent audit work on DOT's process for making criminal referrals to OIG shows the benefits that a robust OIG referral process may have for DOT. For example, the Federal Railroad Administration (FRA) made changes to its process in April 2016 after we identified referral weaknesses, and the number of FRA related referrals to OIG greatly increased. At PHMSA, both the Office of Pipeline Safety and the Office of Hazardous Materials Safety require that all referrals arising from enforcement activities of a regulated entity first go through the Agency's Office of Chief Counsel, while internal agency complaints may be reported directly to OIG. This prescribed process is contrary to DOT Order 8000.5A, which requires referrals to be made without delay, and, as a result, PHMSA may not consistently refer violations of the Pipeline Safety Act to our office. OIG's two audit recommendations remain open: to update DOT Orders 8000.8 and 8000.5A and make them available to DOT employees and to require

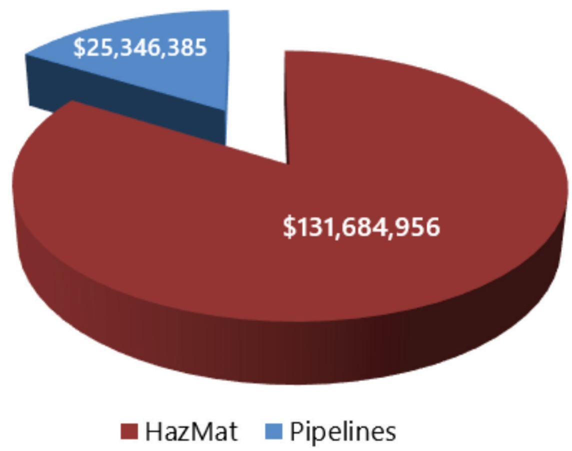
[15] According to the U.S. Energy Information Agency.

that Operating Administrations align any criminal referral procedures with updated DOT Orders.

The need for a robust process at PHMSA is reinforced by our investigators' enforcement of Federal laws regulating pipelines and shipments of hazardous materials. From January 2014 through July 2019, PHMSA reported 1,712 significant incidents, which caused 63 fatalities, 377 injuries, and over $2.5 billion in costs, as well as 1,072 civil administrative enforcement cases filed against pipeline owners and operators. During this same timeframe, however, PHMSA sent our office only 11 referrals for criminal investigations of incidents involving pipeline safety. For example, when activists intentionally damaged a pipeline in July 2017, PHMSA personnel contacted another Federal law enforcement agency but did not also notify OIG. This disparity between serious pipeline incidents and the number of cases we receive suggests better procedures and awareness could improve reporting of potentially criminal activities to OIG, and thereby allow PHMSA to harness OIG's extensive experience in pipeline investigations to strengthen enforcement of criminal and civil penalties.

Since 2014, our Office of Investigations has conducted several pipeline and hazmat safety investigations with impactful results (see figure). Our investigations into pipeline safety violations have resulted in two criminal charges, two convictions, over $25 million in financial recoveries, and 13 years of probation. Our hazmat safety investigations have had an even greater impact: 89 criminal charges, 64 convictions, over $131 million in financial recoveries, over 57 years of incarceration, and 170 years of probation and supervised release. For example, in November 2018, five employees of an explosives recycling facility, who had illegally transported and stored over 15 million pounds of explosive munitions, were sentenced to a combined 23 years in prison and over $35 million in restitution.

Figure. Hazardous Material and Pipeline Investigations: Financial Results Since 2014



Source: OIG analysis.

As of July 2019, our Office of Investigations was conducting seven open investigations into violations of the Pipeline Safety Act; two of the seven cases arose from PHMSA referrals. In addition, we had 29 open investigations related to hazmat violations. Given the widespread impact that pipeline and hazmat incidents can have on public safety, enforcement of applicable laws and regulations—bolstered by a robust referral process with our office—remains an ongoing challenge for the Department.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
DOT Operating Administrations Can Better Enable Referral of Potentially Criminal Activity to OIG (August 22, 2018)	3	3
PHMSA Has an Opportunity To Refine Its Guidance and Performance Reporting for the Pipeline Safety Research and Development Program (May 30, 2018)	3	1
PHMSA Has Improved Its Workforce Management but Planning, Hiring, and Retention Challenges Remain (November 21, 2017)	3	1
Insufficient Guidance, Oversight, and Coordination Hinder PHMSA's Full Implementation of Mandates and Recommendations (October 14, 2016)	5	0
PHMSA'S State Pipeline Safety Program Lacks Effective Management and Oversight (May 7, 2014)	7	0
Total	**21**	**5**

For more information on the issues identified in this chapter, please contact Barry DeWeese, Assistant Inspector General for Surface Transportation Audits, at (202) 366-5630.

CHAPTER 6

ENHANCING ENFORCEMENT AND DATA ANALYSIS TO REDUCE COMMERCIAL VEHICLE-RELATED FATALITIES

To enhance the safety of our Nation's roadways, the Federal Motor Carrier Safety Administration (FMCSA) must address the increase in fatalities involving large trucks and buses. According to FMCSA, these fatalities have consistently risen in recent years—from 4,455 fatalities in 2013 to 4,949 in 2018, an 11 percent increase.[16] Enhanced enforcement and data analysis are important tools for improving the safety performance of commercial motor carriers and their drivers and vehicles.

KEY CHALLENGES

- Ensuring commercial drivers are qualified to operate large trucks and buses.
- Prioritizing motor carriers for interventions.
- Estimating the impact of driver detention on the motor carrier industry.

Ensuring Commercial Drivers Are Qualified To Operate Large Trucks and Buses

Qualified commercial drivers are important for safe highways and the traveling public. Because of the volume of drivers and differences in States' commercial driver's license (CDL) programs, FMCSA faces challenges in ensuring both drivers and States comply with Federal requirements. In particular, the Commercial Motor Vehicle Safety Act of 1986 requires States to exchange information on commercial drivers through a nationwide information system, and establishes penalties, including CDL disqualification, for serious traffic violations. Yet weaknesses in timely information sharing have led to unqualified drivers remaining on roads. For example, a driver with a Massachusetts CDL was recently arrested in Connecticut for operating under the influence; 6 weeks later, he was involved in a fatal crash in New Hampshire. The violation in Connecticut should have

[16] Based on FMCSA data as of June 30, 2019. States are expected to report crash data to FMCSA within 90 days of the crash. Data are considered preliminary for 22 months to allow for changes.

resulted in disqualification of the driver's CDL. An internal review conducted by the Massachusetts Registry of Motor Vehicles (RMV) revealed that RMV officials did not timely review notifications of numerous out-of-State violations. Furthermore, a flaw in RMV's electronic registry system inappropriately "kicked out" some notifications from other States. RMV has since issued suspensions of over 2,000 CDLs after reviewing its backlog. To enhance safety, FMCSA will need to refocus its efforts to ensure that States report and act on notifications of violations committed by CDL holders.

FMCSA must also take action to ensure that commercial drivers maintain valid medical certificates. These certificates confirm that the driver is healthy enough to safely operate a commercial motor vehicle. Since August 2014, our investigations of the medical certification process have resulted in eight indictments and six convictions related to fraud. For example, in January 2019, an Alabama chiropractor[17] was sentenced to 37 months' imprisonment and a $10,000 fine for his role in a scheme to submit falsified DOT-mandated CDL medical examinations to FMCSA's National Registry. As a result of the investigation, over 2,000 drivers were required to retest for medical suitability. Enhancing FMCSA's oversight will depend in part on collecting and maintaining quality information on drivers' medical certificates. As such, we are currently conducting an audit examining FMCSA's oversight of medical certificate data quality and validation of information in its National Registry of Certified Medical Examiners.

In addition to CDL certificate fraud by medical doctors, our investigations have uncovered numerous instances of fraud committed by State Departments of Motor Vehicles' (DMV) examiners, driving schools, and third-party examiners. For example, between September 2018 and July 2019, two trucking company employees and a former California DMV employee were sentenced for their roles in a scheme to issue fraudulent permits to drivers who had either failed required written tests or not taken the tests. Our investigation revealed that between September 2014 and June 2017, the owner of a trucking school bribed California DMV employees to access and alter database records regarding the school's test results. As a result of our investigations, 28 individuals have been indicted and 19 convicted for CDL fraud committed by DMV examiners since August 2014; 14 individuals have been indicted, 11 convicted for CDL fraud committed by driving schools and third-party examiners, and 172 CDLs have been revoked, and the drivers were required to retest. As these investigations show, enhancing FMCSA's oversight and its ability to identify, enforce, and prevent CDL fraud remains a critical challenge for the Department.

Prioritizing Motor Carriers for Interventions

An ongoing challenge FMCSA faces is identifying and prioritizing high-risk motor carriers for interventions. Currently, FMCSA uses a data-driven safety compliance and enforcement program called the Compliance, Safety, and Accountability (CSA) program. This program consists of the Safety Measurement System (SMS),[18] an interventions process, and safety fitness determinations that identify carriers that are not fit to operate commercial motor vehicles. FMCSA commissioned the National Academy of Sciences (NAS) to study the CSA program and developed a corrective action plan to address NAS's recommendations.

Our recent audit on FMCSA's corrective action plan found that the Agency has addressed some, but not all, of the NAS recommendations. For example, NAS recommended that FMCSA develop an Item Response Theory (IRT) model[19] over the next 2 years, and if it performs well in identifying motor carriers for intervention, to use the model to replace SMS. To address this recommendation, FMCSA has developed and tested IRT to gauge its suitability for prioritizing motor carrier safety interventions and plans to decide whether it will adopt IRT by September 2020.

Further, FMCSA's corrective action plan lacked implementation details to address NAS recommendations on improving the transparency of the Agency's data. It also lacked details on improving its assessment of motor carrier safety rankings, such as the use of percentile rankings and relative and absolute measures,[20] to support decisions regarding which carriers receive safety alerts. FMCSA plans to address these areas once it decides whether to adopt IRT to prioritize carrier safety interventions.

Estimating the Impact of Driver Detention on the Motor Carrier Industry

FMCSA's efforts to improve commercial vehicle safety also depend on obtaining an accurate understanding of the role of driver detention within the industry. Specifically, to reduce driver fatigue and fatigue-related crashes, FMCSA's hours-of-service regulations limit the number of hours a driver can work. Drivers who experience excessive delays at shipping and receiving facilities—known as driver detention—may violate hours-of-service regulations or drive unsafely due to fatigue

[17] A DOT medical examination must be conducted by a licensed medical examiner listed on FMCSA's National Registry, which includes medical doctors, doctors of osteopathy, physician assistants, advanced practice nurses, and doctors of chiropractic.

[18] SMS is a prioritization algorithm that allows FMCSA to identify motor carriers that warrant intervention due to safety compliance problems. FMCSA uses the SMS algorithm to identify carriers for intervention by computing percentile rankings for each carrier in seven categories, including Crashes, Unsafe Driving, Hours of Service Compliance, Vehicle Maintenance, Controlled Substances/Alcohol, Hazardous Materials Compliance, and Driver Fitness.

[19] An IRT model is a formal statistical model used to measure unobserved characteristics of an individual or firm.

[20] NAS recommended that FMCSA use both absolute and relative measures to prioritize carriers for intervention and compute percentile ranks conditionally within groups of similar carriers and among all motor carriers. A relative measure helps push for progressively safer performance; an absolute measure requires a set standard.

or the desire to recover lost income, increasing the risk of crashes that result in fatalities, injuries, and financial costs.

The Fixing America's Surface Transportation Act of 2015 directed FMCSA to issue regulations that cover the collection of data on delays experienced by commercial vehicle operators before the loading and unloading of their vehicles. However, in 2018, we reported that accurate industrywide data on driver detention do not exist. These data are not available because most industry stakeholders only measure time spent at shippers' and receivers' facilities beyond the limit established in shipping contracts. Available electronic data cannot readily discern detention time from legitimate loading and unloading tasks, and are unavailable for a large segment of the industry.

We also reported in 2018 that FMCSA had not conducted a study of the safety and operational impact of driver detention on work hours, hours-of-service violations, and crashes. However, our analysis of available FMCSA data estimated that driver detention increases the likelihood of truck crashes involving fatalities, significant injuries, or vehicle towing. We estimated that a 15-minute increase in average dwell time—the total time spent by a truck at a facility—increases the average expected crash rate by 6.2 percent. We also estimated that detention is associated with reductions in annual earnings of $1.1 billion to $1.3 billion for-hire commercial motor vehicle drivers in the truckload sector.

Without accurate and representative data, FMCSA faces challenges in accurately describing how the diverse trucking industry experiences driver detention. FMCSA concurred with our recommendation to collaborate with industry stakeholders to develop and implement a plan to collect and analyze reliable data on the frequency and severity of driver detention. As part of this effort, FMCSA has requested information from stakeholders that could lead to better understanding of driver detention and its impact on road safety, including data sources, methodologies, and potential technologies that could provide insight into loading and unloading delays.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
FMCSA's Plan Addresses Recommendations on Prioritizing Safety Interventions but Lacks Implementation Details (September 25, 2019)	2	2
Estimates Show Commercial Driver Detention Increases Crash Risks and Costs, but Current Data Limit Further Analysis (January 31, 2018)	1	1
FMCSA Strengthened Controls for Timely and Quality Reviews of High-Risk Carriers, but Data Challenges Remain to Assess Effectiveness (July 26, 2017)	2	0
FMCSA Adequately Monitored Its NAFTA Cross-Border Trucking Pilot Program but Lacked a Representative Sample To Project Overall Safety Performance (December 10, 2014)	0	0
Actions Are Needed To Strengthen FMCSA's Compliance, Safety, Accountability Program (March 5, 2014)	6	0
Total	**11**	**3**

For more information on the issues identified in this chapter, please contact Barry DeWeese, Assistant Inspector General for Surface Transportation Audits, at (202) 366-5630.

CHAPTER 7

CONTINUING NATIONAL EFFORTS TO IMPROVE RAILROAD SAFETY

Reducing railroad incidents and fatalities—many resulting from motor vehicle collisions with trains at grade crossings or trespassers on the railroad right-of-way—remains a top safety challenge for the Department. Although the Federal Railroad Administration (FRA) has taken steps to address these fatalities, our work continues to identify improvements FRA can make to enhance railroad safety. This includes overseeing industry's ongoing efforts to implement Positive Train Control (PTC)—advanced systems that can help prevent train-to-train collisions, overspeed derailments, and other incidents.

KEY CHALLENGES

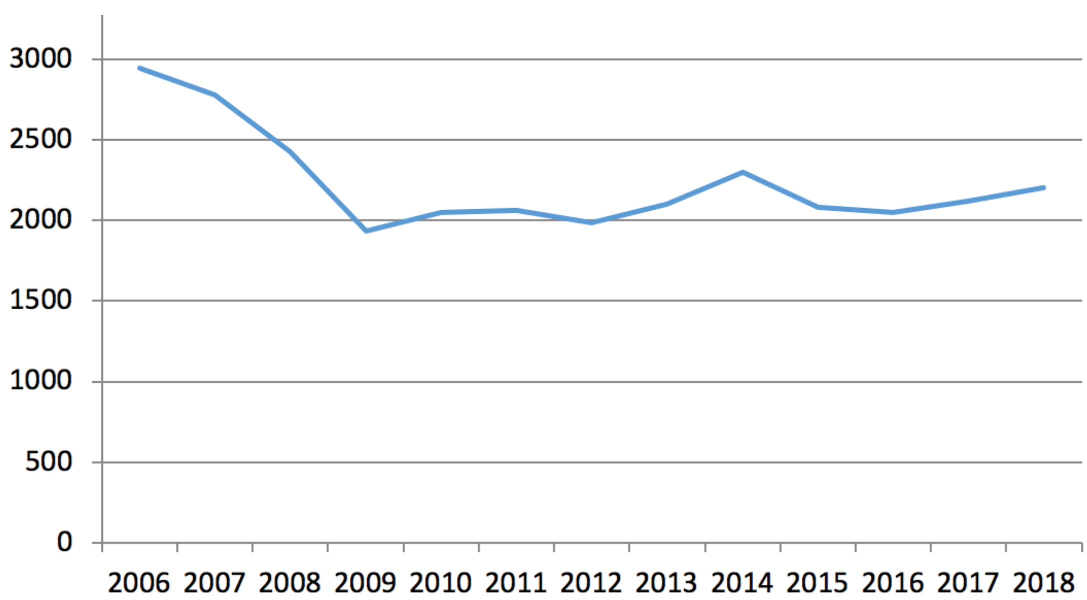
- Reducing railroad grade crossing and trespassing fatalities.
- Overseeing railroads' implementation of PTC systems.

Reducing Railroad Grade Crossing and Trespassing Fatalities

The vast majority of railroad fatalities occur when vehicles cross railroad tracks at-grade or when trespassers are on the tracks or surrounding right-of-way. The risk of these incidents grows as highway and train traffic increase. Since 2006, railroad accidents have resulted in 10,449 fatalities. Of those, 3,643 (35 percent) occurred at grade crossings. Between 2006 and 2009, the numbers of incidents at grade crossings declined by over 34 percent. However, after 2009, the numbers rose again until they fell in 2015 and then leveled off at 2,000-plus incidents per year through 2018 (see figure). Combined, railroad grade crossing and trespasser deaths accounted for approximately 95 percent of all rail-related deaths from 2008 to 2018.

According to FRA, almost all fatalities and injuries from grade-crossing accidents could have been prevented. Our recent analysis of FRA's grade-crossing accident investigation reports found that in 83 of 93 analyzed reports the primary cause could be attributed to the behavior of the highway driver. Given that trains cannot change directions or stop quickly, reducing these accidents presents a significant safety challenge for FRA. The Agency will need to continue to encourage State and local governments and railroads to use technology to prevent incidents and increase driver and trespasser awareness of the hazards they face.

Figure. Number of Incidents at Grade Crossings in the United States, 2006–2018



Source: FRA data obtained May 1, 2019.

Overseeing Railroads' Implementation of PTC Systems

Over the last decade, the U.S. rail industry has responded to fatal rail accidents and a Federal statutory mandate by committing to implementing PTC systems on the required main lines. Using communication- or processor-based train control technology, PTC systems must reliably and functionally prevent train-to-train collisions, overspeed derailments, incursions into established work zone limits, and movements of trains through switches in the wrong position. The Rail Safety Improvement Act of 2008 (RSIA)[21] required PTC systems to be implemented across a significant portion of the Nation's rail system by December 31, 2015, including Class I railroads' main lines that handle poisonous or toxic-by-inhalation hazardous materials and any railroad's main lines that provide regularly scheduled intercity passenger or commuter rail service. Citing funding and technical challenges, the industry did not meet this deadline, and Congress and the President extended it to at least December 31, 2018, in the Positive Train Control Enforcement and Implementation Act of 2015.[22] The Act also authorized railroads to use an "alternative schedule and sequence" with a full implementation deadline after December 31, 2018, but not later than December 31, 2020. The Act required FRA to approve a railroad's request for an alternative schedule, if a railroad met the statutory criteria set forth in the Act.

FRA has taken several actions to support railroads' implementation of PTC. For example, the Department has provided nearly $2.6 billion in grants and loans to support implementation of PTC systems; built a PTC testbed at FRA's Transportation Technology Center near Pueblo, CO; established a PTC task force of Federal staff and contractors with expertise in railroad signal and train control systems; and provided industrywide guidance in six collaboration sessions during 2018 and 2019. Railroads have reported progress with implementation, but significant work remains to activate PTC systems on the remaining main lines and to ensure interoperability among the individual PTC systems. On December 31, 2018, the Department reported that 4 of 41 railroads had fully implemented an FRA-certified and interoperable PTC system on all of their required main lines. The other 37 railroads subject to the statutory PTC mandate in 2018 had asked FRA to approve an alternative schedule. This includes all seven Class I railroads, which operate the majority of commercial freight tracks in North America; Amtrak; 24 commuter railroads; and 5 other freight railroads that host Amtrak or commuter rail transportation. FRA continues to provide technical assistance to railroads as they manage the task of achieving full system functionality on every track segment to which the mandate applies. FRA's efforts to monitor the rail industry's progress will be a workload challenge as it oversees the railroads' implementation of these critical safety systems; certifies host railroads' PTC systems; and assesses whether railroads fulfill technical, procedural, and operational milestones and requirements.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
FRA Collects Reliable Grade Crossing Incident Data, But Has Not Updated its Accident Prediction Model and Lacks Comprehensive Guidance for Using the Data To Focus Inspections (September 4, 2019)	2	2
Federal Funding Support for Positive Train Control Implementation (March 28, 2018)	0	0
Observations on Federal Funding Support for Positive Train Control Implementation (March 1, 2018)	0	0
Total	**2**	**2**

For more information on the issues identified in this chapter, please contact Barry DeWeese, Assistant Inspector General for Surface Transportation Audits, at (202) 366-5630.

[21] Pub. L. No. 110-432 (2008).

[22] 49 U.S.C. § 20157.

CHAPTER 8

EFFECTIVELY OVERSEEING BILLIONS IN SURFACE INFRASTRUCTURE INVESTMENTS

The Department oversees the more than $50 billion it provides each year for building and maintaining the Nation's surface infrastructure, including millions of miles of roads, bridges, tunnels, and tracks. DOT also oversees additional funding to address the impact of natural disasters. To ensure these Federal dollars are used effectively, the Department must focus its oversight on areas of greatest national impact and safety, such as protection of major infrastructure investments and improvements in project delivery and quality.

KEY CHALLENGES

- Targeting oversight resources and managing risks to investments.
- Capitalizing on oversight support.
- Improving project delivery, quality, and impact.

Targeting Oversight Resources and Managing Risks to Investments

The Department oversees the considerable Federal investment in surface transportation by partnering with various entities, such as State DOTs and metropolitan planning organizations. The Federal Highway Administration (FHWA) funds the highest amount of surface transportation grants, and State DOTs may assume certain project oversight responsibilities except for projects deemed high-risk or when not allowed by law. Due to the high numbers of projects, FHWA has developed an approach for making decisions on when to delegate and where to target oversight. The Agency has chosen risk-based stewardship and oversight as its approach, but faces challenges in obtaining reliable and meaningful data to assist with its risk assessments. We have found that FHWA does not always track the data necessary to readily identify the amount and type of activity that received Federal funding, making risk analyses of those activities difficult or impossible. For example, FHWA has historically not included force account activity[23]—which involves the noncompetitive use of State or local resources to execute Federal-aid highway projects—in its oversight because the Agency considers it a low-risk activity. However, our work shows the Agency could not produce sufficient data to support its low risk assessment for force account activities.

For FTA, which in fiscal year 2018 provided about $12 billion to grantees, as well as additional funding in response to natural disasters, the use of data in its oversight also presents challenges. For instance, preliminary results from our ongoing work found that after Hurricane Sandy, FTA established new procedures to determine whether its grantees complied with a Federal flood insurance requirement. However, these procedures did not require grantees to produce data to support self-certifications that they meet this requirement or FTA to verify that grantees carried appropriate flood insurance. As a result, FTA cannot conclusively determine whether its grantees have the required insurance for a portion of the billions in Federal transit investments it funds annually, and therefore whether those grantees are eligible for the full amount of funding they receive. We expect to make recommendations to address these weaknesses and better manage risks to FTA's investments.

The Federal Railroad Administration (FRA) also faces challenges in targeting oversight resources and managing risks, especially as it manages the investments of a variety of grant programs, including two of the largest—the Consolidated Rail Infrastructure and Safety Improvements Program and the annual operating and capital grants to the National Railroad Passenger Corporation (Amtrak). In 2019, Congress appropriated over $2.6 billion to FRA's grant programs. In the past, the Agency has taken steps to address weaknesses in its administration of grant funds. However, given the importance of grant management for ensuring proper stewardship of taxpayer dollars, we continue to monitor FRA's efforts. Specifically, we currently have an ongoing audit related to FRA's over $2.5 billion investment in California made under High Speed Intercity Passenger Rail (HSIPR) program. Our audit objectives include an assessment of FRA's risk mitigation efforts and its procedures for assuring that expenditures comply with Federal requirements.

Capitalizing on Oversight Support

As it seeks to provide effective stewardship of its grants and contracts, the Department could do more to capitalize on the oversight support provided by such various means as oversight contractors. For instance, in fiscal year 2012, FRA entered into a $50 million intra-agency agreement (IAA)[24] with DOT's John A. Volpe National Transportation Systems Center (Volpe). This agreement allowed FRA to implement its Monitoring and Technical Assistance Program (MTAP)[25] with

[23] Federal law requires FHWA grant recipients to competitively award contracts for these grants unless another method is more cost-effective or an emergency exists. One such method is force accounts, which involves the noncompetitive use of State or local resources to execute highway projects. FHWA Division Offices are primarily responsible for overseeing the use of force account on Federal-aid projects.

[24] An IAA is an agreement between components within a Federal agency to requisition services in exchange for reimbursement, obligate funds, and describe work to be performed.

[25] MTAP performs oversight of the HSIPR program and FRA's other capital rail projects, and provides technical assistance to project stakeholders. FRA's goals for MTAP are (1) proactively identify and mitigate risks, foster solutions to challenges and issues, and ensure projects move successfully into revenue operations; (2) develop an ongoing oversight program with knowledge sharing and partnering; and (3) elevate the knowledge and level of practices in the U.S. rail industry.

Volpe's assistance and oversight support using monitoring and technical assistance contractors (MTAC). However, we recently found that FRA and Volpe did not ensure that MTACs for the $8 billion High-Speed Intercity Passenger Rail Program consistently documented oversight reviews. Also, FRA and Volpe did not sufficiently track and verify resolution of the MTACs' recommendations and significant issues to the grantee. These weaknesses impeded FRA and Volpe's ability to realize the full benefit of the MTACs' oversight. In our 2019 report, we made 11 recommendations to improve FRA's and Volpe's acquisition and use of MTACs.

We found similar issues with FTA's requirements for recipients to use integrity monitors[26] as an additional control for federally funded Hurricane Sandy relief and recovery projects. For example, FTA did not provide adequate guidance to make sure that grantees resolved integrity monitors' recommendations or take proactive steps to ensure grantees established controls to prevent problems from recurring. Furthermore, FTA did not have a formal process for reviewing and approving integrity monitor plans to help ensure they meet program expectations and support its Hurricane Sandy oversight goals. Therefore, FTA allowed risks—such as inadequate reporting of grantees' integrity monitoring activities and possible conflicts in the role of the integrity monitor participants—to go unaddressed. The Agency has recently agreed to take actions based on our recommendations to improve its use of integrity monitors. FTA has also taken action to address our prior recommendations stemming from similar concerns with its use of project management oversight contractors[27] for a Sandy relief major capital project—such as tracking and following up on issues identified by its oversight contractors and subsequent actions taken. The use of oversight support continues to pose both opportunities and challenges as the Department works to ensure effective use and safeguarding of its grants dollars.

Improving Project Delivery, Quality, and Impact

The Department needs to continue to improve its efforts aimed at helping reduce traffic congestion, enhance economic viability and safety, and improve project delivery. Through DOT's discretionary grant programs, billions are available for these efforts. In a recent report, the Government Accountability Office (GAO) noted that DOT faces challenges in awarding discretionary grants in a fair and competitive process to maximize benefits.[28] GAO also found insufficient documentation of decisions made during application and award processes for the Infrastructure for Rebuilding America (INFRA) program, which provides financial assistance to highway and freight projects. These concerns are similar to ones we reported in February 2018 for the Transportation Investment Generating Economic Recovery (TIGER) program.[29] Addressing these concerns will help ensure the Department's discretionary grants meet the programs' goals and deliver quality projects.

DOT's goals also include improving the timeliness of transportation projects. An important aspect of project acceleration is the Department's implementation of the FAST Act's provisions on streamlining the environmental review process. For example, the act requires DOT to undertake several actions on Federal environmental reviews, and improve its implementation of the National Environmental Policy Act (NEPA).[30] Additionally, an Executive Order signed by the President in 2017 established a goal of completing all environmental reviews of major infrastructure projects within 2 years.[31] Given that the current median time to complete environmental impact statements[32] for transportation projects is over 4 years, DOT faces challenges in completing timely reviews and making authorization decisions. To meet this goal, DOT needs to implement the April 2018 memorandum of understanding it signed with other Federal agencies and update its NEPA implementing procedures.

[26] FTA defines integrity monitors as independent organizations that bring together various disciplines of expertise, including legal, auditing and accounting, investigative, engineering, and environmental. Agencies use integrity monitors to ensure compliance with relevant laws and regulations and prevent, uncover, and report unethical and illegal conduct.

[27] For federally funded major capital projects, FTA uses project management oversight contractors to help it accomplish its oversight role. These contractors make recommendations and identify actions with target dates to help address grantee and project issues and vulnerabilities.

[28] GAO, Actions Needed to Improve Consistency and Transparency in DOT's Application Evaluations (GAO-19-541), June 26, 2019.

[29] The Better Utilizing Investments To Leverage Development (BUILD) Program replaced the TIGER program in 2018.

[30] Pub. L. No. 91-190 (1970), as amended, establishes the framework for Federal environmental reviews and requires Federal agencies to evaluate the potential environmental effects of proposed actions on the human environment.

[31] Executive Order 13807, Establishing Discipline and Accountability in the Environmental Review and Permitting Process for Infrastructure Projects, August 15, 2017.

[32] NEPA requires Federal agencies to prepare environmental impact statements for projects with actions that significantly affect the quality of the human environment.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
FTA Has an Opportunity To Improve the Integrity Monitor Program for Hurricane Sandy Grantees (September 9, 2019)	8	8
Opportunities Exist To Improve FRA and Volpe's Acquisition and Use of Oversight Contractors (July 10, 2019)	11	11
Inadequate Data and Guidance Hinder FHWA Force Account Oversight (May 29, 2019)	4	4
FTA has an Opportunity To Further Promote Lessons Learned To Enhance the Protection of Rolling Stock at Transit Agencies (April 3, 2019)	2	0
FHWA Lacks Adequate Oversight and Guidance for Engineer's Estimates (March 13, 2019)	4	4
DOT Has Completed FAST Act Requirements on Aligning Federal Environmental Reviews (November 6, 2018)	0	0
Initial Audit of Florida International University Pedestrian Bridge Project – Assessment of DOT's TIGER Grant Review and Selection Processes (October 29, 2018)	0	0
Improvements Are Needed To Strengthen the Benefit-Cost Analysis Process for the TIGER Discretionary Grant Program (February 28, 2018)	4	0
Review of Major Western Capital Projects Points to Overall Improvements Needed in FTA's Financial Guidance and Oversight (May 9, 2017)	5	0
Vulnerabilities Exist in Implementing Initiatives Under MAP-21 Subtitle C to Accelerate Project Delivery (March 6, 2017)	5	1
FHWA Does Not Effectively Ensure States Account for Preliminary Engineering Costs and Reimburse Funds as Required (August 25, 2016)	7	7
FTA Did Not Adequately Verify PATH's Compliance With Federal Procurement Requirements for the Salt Mitigation of Tunnels Project (March 28, 2016)	3	0
Oversight of Major Transportation Projects: Opportunities To Apply Lessons Learned (June 8, 2015)	0	0
Total	**53**	**35**

For more information on the issues identified in this chapter, please contact Barry DeWeese, Assistant Inspector General for Surface Transportation Audits, at (202) 366-5630 and Mary Kay Langan-Feirson, Assistant Inspector General for Acquisition Audits, at (202) 366-5225.

CHAPTER 9

PREPARING FOR THE FUTURE OF TRANSPORTATION

The Department has several initiatives currently underway to address the future transportation environment. As the Fixing America's Surface Transportation (FAST) Act of 2015[33] concludes and a new authorization begins, the Department's challenge will be to address the impact of emerging technologies and industries. At the same time, the Department will need to respond to increasing and evolving demands on the Nation's transportation system, such as by leveraging innovative financing, supporting research and development (R&D), and reshaping its workplaces.

KEY CHALLENGES

- Preparing for emerging vehicle automation technologies.
- Safely integrating Unmanned Aircraft Systems (UAS) and the commercial space industry into the National Airspace System (NAS).
- Leveraging limited Federal funds through innovative financing.
- Supporting R&D and reshaping the workplace to meet future needs.

Preparing for Emerging Vehicle Automation Technologies

Emerging technologies are impacting transportation on several fronts. Most visible to the traveling public are vehicle automation technologies, such as those popularly known as driverless cars. While automated vehicles present the potential for long-term benefits, they may also pose new safety, oversight, and regulatory challenges. The Department has developed approaches and guidance[34] but may need to take more action as the technology advances, data are collected and analyzed, lessons are learned, and needs for additional leadership emerge. For example, the Department faces the significant challenge of testing and developing new tools and standards that might be necessary for overseeing and regulating these innovative and emerging technologies. In addition, NHTSA's efforts to ensure full reporting of safety defects for the automotive industry point to potential challenges as this segment of the industry grows.

As these new technologies evolve, the Department will need to manage the impact on surface infrastructure, including asset investment; pilot programs and testing; and the interfacing of roads, traditional vehicles, pedestrians, and other road users with automated vehicles. The Department has taken initial steps to collaborate with the automobile industry, academic institutions, technology firms, and State and local agencies to develop vehicle-to-infrastructure (V2I) technologies. These technologies will allow vehicles to communicate with road infrastructure, such as traffic signals, through the wireless exchange of data.[35] To date, through its connected vehicle pilot program, the Department has committed up to $100 million for projects that will deploy V2I technologies in real-world settings and will inform a broader cost-benefit assessment of connected vehicle concepts and technologies. However, as the Government Accountability Office (GAO) and others have noted, an array of challenges could affect deployment of V2I technologies, including developing standards and addressing human factors.[36]

Safely Integrating UAS and the Commercial Space Industry Into the NAS

The Department also faces significant safety and regulatory challenges with integrating new technologies and industries that are shaping the future of aviation. For example, the demand for and number of UAS operations continues to climb. According to FAA, as of August 2019, FAA has processed nearly 1.5 million registrations for commercial UAS operators and hobbyists. Further, reports of UAS sightings by pilots and other sources have increased significantly in the past few years—from 238 in 2014 to over 2,350 in 2018.

FAA has taken steps to further the integration of UAS in the NAS, such as issuing a rule[37] permitting small UAS (under 55 pounds) to fly commercially with a number of operational restrictions.[38] However, we reported last year that FAA faces several challenges in developing and implementing a risk-based oversight system to oversee the safe integration of UAS in the same airspace as manned aircraft. In response to our recommendations, FAA began requiring new inspections of UAS operators based on data. However, several challenges remain as FAA continues to advance the integration of UAS, including: (1) implementing UAS hobbyist provisions of the 2018 FAA Reauthorization Act; (2) creating a robust system for obtaining, tracking, and analyzing UAS safety data; and (3) resolving technological and regulatory challenges, such as remote identification.

At the same time, FAA's oversight and regulatory challenges also extend to the growing commercial space industry. In fiscal year 2018, there were 35 launches and reentries conducted under licenses issued by FAA's Office of Commercial Space Transportation, with 32 licensed or permitted operations conducted this fiscal year. With SpaceX

[33] Pub. L. No. 114-94.

[34] In 2016, the Department and NHTSA issued Federal Automated Vehicles Policy, which establishes a framework, guidance, and best practices for manufacturers and others to assist in the safe design, development, testing, and deployment of automated vehicles. In 2017, NHTSA issued Automated Driving Systems: A Vision for Safety 2.0, which incorporates feedback received through public comments, stakeholder meetings, and congressional hearings. In 2018 the Department released Automated Vehicles 3.0: Preparing for the Future of Transportation, which describes its strategy to address barriers to safety innovation and progress and provides guidance on cross-modal collaboration.

[35] Software applications currently under development will use V2I technologies to, among other things, warn drivers about nearby road conditions, such as work zones, and that they are approaching curves at unsafe speeds.

[36] GAO, *Intelligent Transportation Systems: Vehicle-to-Infrastructure Technologies Expected to Offer Benefits, but Deployment Challenges Exist* (GAO-15-775), September 15, 2015.

[37] 81 Fed. Reg. 42064 (June 28, 2016) (codified at 14 CFR Part 107).

[38] The rule does not permit several types of UAS operations that industry values but FAA considers high risk, such as operating a small UAS beyond line of sight or over people.

scheduling more launches and new entrants offering launch services, this growth is expected to increase. In December 2018, Virgin Galactic's SpaceShipTwo successfully completed a suborbital test flight, bringing the industry closer to having commercial passengers in space.

In May 2018, the President issued a policy directive requiring the Department to review and revise licensing requirements for commercial space launches and re-entries. In April 2019, FAA issued a Notice of Proposed Rulemaking (NPRM) that would streamline all launch and re-entry regulations into a single, performance-based system.[39] While FAA continues to review comments from the NPRM, it must also meet the challenge of safely integrating commercial operations into the NAS without sacrificing the safety and efficiency of the current commercial aviation industry.

Leveraging Limited Federal Funds Through Innovative Financing

Preparing for the future of transportation also requires seeking innovative financing for some of the Department's greatest funding challenges, including maintaining and upgrading the Nation's aging transportation infrastructure. In particular, demands on the transportation system and constraints on public resources have prompted the use of innovative financing for infrastructure projects and expanded the use of federally backed loans. One such strategy is public-private partnerships (P3), which can expand the capacity of States to finance infrastructure projects and offer possible benefits such as accelerated delivery times, reduced costs, risk transference, and better cost effectiveness of long-term maintenance. However, as we reported earlier this year, the use of alternative sources and loans poses oversight challenges for the Department. For example, we found that FHWA was not following its P3-specific guidance, which notes that P3 projects warrant additional stewardship considerations to address unique risks, and outlines FHWA staff roles in approving P3s. FHWA agreed to implement all five of our recommendations for improving its approval and monitoring processes for P3 projects by December 31, 2019.

Similarly, the FAST Act restructured the oversight of DOT's credit programs by establishing the Build America Bureau (the Bureau) to oversee the Transportation Infrastructure Finance and Innovation Act, Railroad Rehabilitation and Improvement Financing, and private activity bonds credit programs. These programs supplement traditional funding mechanisms such as the Highway Trust Fund, by providing billions of dollars for surface transportation projects across the country. In March 2019,[40] GAO reported that the Department had made significant progress in establishing the Bureau. However, the Bureau had not established an acceptable risk level for its financing programs, resulting in project sponsors' hesitance to invest time and resources applying for loans. Addressing these challenges could lead to increased demand for these programs and thus greater investment in surface transportation infrastructure.

Supporting R&D and Reshaping the Workplace To Meet Future Needs

As research into new transportation technologies and capabilities accelerates, our work has identified challenges for the Department as it seeks to exercise proper stewardship over its support for R&D efforts. For example, we reported in 2017 that FAA lacked important controls over its use and management of other transaction agreements (OTA),[41] which the Agency uses to engage outside parties in cooperative R&D. In particular, FAA did not encourage competition when awarding OTAs, consistently analyze OTAs for conflicts of interest, or monitor cost sharing when using this innovative mechanism. More recently, our audit on the Department's management and oversight of its highway and vehicle safety R&D agreements[42] found that DOT's Operating Administrations (OA) do not use a clear definition for R&D when determining whether a financial assistance award should be identified as R&D. This omission could make it difficult for the Department to obtain a full understanding of and report on the amount and types of R&D it funds and verify that it does not fund duplicative research. The Department also has opportunities to better plan and coordinate R&D through its Volpe Center, an internal resource for R&D, testing, evaluation, analysis, and related activities for DOT and its OAs. Such services are obtained via intra-agency agreements (IAAs), which between fiscal years 2015 and 2017 totaled $865.8 million. However, our recently completed audit found that OAs conduct limited planning for IAAs with Volpe, and departmental policies on establishing IAAs and evaluating their performance are unclear and not always followed.

Another challenging area for the Department is reshaping its workplace to meet future needs. For example, the Department procures millions of dollars in laptop computers each year for thousands of employees, who use them daily in offices and for telework. However, we found that outdated policies and weak internal controls inhibit the Department's ability to track and manage these laptops, and consequently, its ability to fully account for its laptops and prevent their misuse and theft. Furthermore, DOT and the rest of the Federal Government are moving toward more flexible and virtual work arrangements. Thus, the Department will need

[39] *Streamlined Launch and Reentry Licensing Requirements*, Notice of Proposed Rulemaking, 84 Fed. Reg. 15296 (April 15, 2019).

[40] GAO, *Action Needed to Guide Implementation of Build America Bureau and Improve Application Process* (GAO-19-279), March 11, 2019.

[41] OTAs are legally binding instruments used to engage industry and academia for a broad range of research and prototyping activities. Because they are not contracts, grants, or cooperative agreements, however, they are not subject to the Federal laws and regulations, such as the Federal Acquisition Regulations, that apply to Government procurement contracts and financial assistance.

[42] Mandated by the FAST Act § 24202.

to regularly assess its over 9.4 million square feet[43] of office space across the country to continue making progress on the Office of Management and Budget's long-standing focus on optimizing office space usage, controlling costs, and reducing the Federal footprint. We found that most of DOT's office spaces exceeded the Department's own utilization standard, indicating they were not being used as efficiently as possible. FAA has taken action to improve its office space data and management, and the rest of DOT could possibly leverage these improvements, resulting in cost savings and more efficient work environments.

RELATED DOCUMENTS AND RECOMMENDATIONS

The following related documents as well as the current status of OIG recommendations can be found on our website at **http://www.oig.dot.gov**.

TITLE	TOTAL RECOMMENDATIONS	OPEN RECOMMENDATIONS
DOT Needs To Strengthen Its Oversight of IAAs With Volpe (September 30, 2019)	9	9
Stronger Guidance and Internal Controls Would Enhance DOT's Management of Highway and Vehicle Safety R&D Agreements (May 1, 2019)	15	12
Several Factors Limit DOT's Ability To Efficiently Utilize Its Office Space (April 9, 2019)	5	5
FHWA Needs To Clarify Roles and Processes for Approving and Monitoring Public-Private Partnerships (March 6, 2019)	5	5
Opportunities Exist for FAA To Strengthen Its Review and Oversight Processes for Unmanned Aircraft System Waivers (November 7, 2018)	8	1
FAA's Management and Oversight Are Inadequate To Secure Timely and Cost-Efficient Agency-Leased Offices and Warehouses (April 11, 2018)	12	2
DOT and FAA Lack Adequate Controls Over Their Use and Management of Other Transaction Agreements (September 11, 2017)	17	13
Total	**71**	**47**

For more information on the issues identified in this chapter, please contact Barry DeWeese, Assistant Inspector General for Surface Transportation Audits, at (202) 366-5630, or Mary Kay Langan-Feirson, Assistant Inspector General for Acquisition and Procurement Audits, at (202) 366-5225.

[43] As of September 2018.

APPENDIX. DEPARTMENT RESPONSE

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, SE
Washington, DC 20590

10/7/19

Subject: INFORMATION: Management Response to the Office of Inspector General (OIG) Draft Report: DOT's Fiscal Year 2020 Top Management Challenges

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The OIG's Fiscal Year (FY) 2020 Top Management Challenges report refers to many of the risks the Department of Transportation (DOT or Department) has identified and is actively addressing. Safety is the top priority of the Department, and we have adopted a systemic approach to safety oversight and management. This approach uses data and performance measures to determine priorities, evaluate risk mitigation strategies, guide safety standards, and ensure the effective integration of those standards into organizational structures and business process. The Department has taken a proactive approach to ensure that innovative and emerging technologies are safely integrated in existing transportation systems. For example, DOT has established an Unmanned Aircraft Systems Integration Pilot Program, partnering with ten local governments and private entities to gather data for safely integrating drones into the National Airspace System.

A second Departmental priority is investing in the Nation's infrastructure, while also providing thorough attention, accountability, and oversight of these investments. For example, through discretionary grant-making, the Department is actively targeting Federal investments toward transportation projects that address high-priority infrastructure and safety needs. In the last two years, transportation investments at DOT increased by $16.1 billion, for a total of $162 billion. DOT is addressing our Nation's infrastructure in a few key ways to include the following: streamlining the permitting process so that infrastructure can be delivered promptly; improving selection criteria for DOT discretionary grants, so that infrastructure in both rural and urban areas benefit from taxpayer investments; providing quick emergency response for rapid recovery from disasters; and readying for Fixing America's Surface Transportation Act (FAST Act) reauthorization, based on market-friendly principles.

Supporting innovation, while also ensuring the safe integration of new technologies into our transportation system, is a third priority of the Department. Emerging technologies can offer benefits in efficiency, access to transportation, and safety. DOT is working with the public and private sectors to safely develop, test, and integrate these new technologies into our existing transportation systems. In October 2018, DOT released *Preparing for the Future of Transportation: Automated Vehicles 3.0.* This non-regulatory approach will promote innovation and safety, which DOT believes could save lives, reduce congestion, and expand mobility.

A fourth priority, which in many ways is the government's number one mission, is accountability. DOT must ensure that every dollar spent is used to the maximum benefit of the taxpayer. The Department is committed to regulatory reform that advances its core safety mission while making rules more streamlined and cost-effective. Accountability at the Department also means exercising proper management and oversight of its contracts and grants to improve program performance and prevent fraud, waste, and abuse. In addition, we want to ensure that efficient and effective internal controls, processes, and procedures are in place and appropriately implemented. For example, to help strengthen oversight of DOT assets, DOT is implementing a shared services model for delivering its acquisitions, human resources, and information technology (IT) functions. The shared services model establishes Administrative Centers of Excellence for Executive and Political Resources, Human Resources Operations, Leadership and Supervisory Development and IT Acquisitions.

We expect the Office of Inspector General to be a partner in these efforts, and the Department will work with OIG to identify 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 Madeline M. Chulumovich, Director, Office of Audit Relations and Program Improvement, at (202) 266-6512, with any questions.

PAYMENT INTEGRITY

DOT, as a steward of taxpayer dollars, exercises rigorous management and oversight over its program expenditures. DOT's Payment Integrity Center is responsible for coordinating improper payment (IP) reviews, reporting results, and monitoring the progress of corrective actions in accordance with Improper Payments Information Act of 2002 (IPIA; P.L. 107-300)[1], as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; P.L. 111-204) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; P.L. 112-248), OMB Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*, and OMB Circular A-136, *Financial Reporting Requirements.* The results of our FY 2019 IP reviews are reported in this section.[2]

I. DOT PROGRAMS SUSCEPTIBLE TO SIGNIFICANT IMPROPER PAYMENTS

IPIA defines a program or activity as susceptible to significant IPs when annual IPs exceed 1.5 percent and $10 million of outlays, or $100 million of outlays regardless of the error rate. FHWA's Highway Planning and Construction (HPC) program[3] is the only DOT program or activity that is susceptible to significant IPs and subject to the FY 2019 IPIA reporting requirements.

OMB Circular A-123, Appendix C permits agencies to request relief when a program reduces its IP estimates below the statutory thresholds for two consecutive years. DOT requested and received OMB approval for relief from the annual IP reporting requirements for two programs in FY 2019: FTA's Emergency Relief Program – Disaster Relief Act and OIG's Disaster Relief Appropriations Act activity.

A risk assessment, statutory law, OMB, or DOT management may identify a program or activity as susceptible to significant IPs and require it to report annual estimates. Annually, DOT evaluates prior year outlay activity by Treasury Account Symbol to determine whether a program requires an IP risk assessment. Management also considers prior year legislative changes, audit findings, and the timing of the last IP risk assessment when determining which programs or activities need to perform an IP risk assessment. During FY 2019, the Department conducted four IP risk assessments and concluded that none of the programs were susceptible to significant improper payments. Additionally, one program participated in a pilot project by including a fraud risk study as part of their FY 2019 IP risk assessment. The Department is evaluating the results of the pilot and feasibility of adding a fraud risk study to future IP risk assessments.

II. PAYMENT ACCURACY REPORTING

During FY 2019, a statistician prepared and an agency official certified FHWA HCP's sampling and estimation plan in accordance with OMB Circular A-123, Appendix C requirements. The statistical sampling and estimation process began with obtaining data extracts from Delphi, DOT's financial system of record. ESC, DOT's service provider, reconciled the data extract to FHWA's financial statements to ensure completeness. Next, the statistician and DOT officials collaborated to identify the final payment populations for sampling.

FHWA derived the IP rate based on probability samples with estimates for sampling error. The statistician designed and refined the sampling plan, considering the nature and distribution of payments made by the FHWA HPC program. FHWA employed a multi-stage random sampling methodology, which began with a sample of FHWA payments to HPC program grant recipients. During the second stage, the statistician developed a sample from the list of invoices the grant recipient applied to the FHWA payment. Next, the statistician sampled and FHWA tested line items from the grant recipient's invoice to determine if the expenditures were proper. After DOT officials confirmed IPs within the samples, the statistician extrapolated the results to arrive at the FHWA HPC IP estimate.

[1] Unless otherwise indicated, the acronym "IPIA" refers to "IPIA, as amended by IPERA and IPERIA."
[2] More detailed information on DOT's FY 2019 IP reviews and results previously reported in our AFRs that is not included in this section is available on www.paymentaccuracy.gov.
[3] FHWA's HPC program supports State and local governments in the design, construction, and maintenance of the Nation's highway system. Additionally, the program includes emergency relief funds for the repair or reconstruction of highways and roads which have suffered serious damage as a result of natural disasters or catastrophic failures from external causes.

The FY 2019 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid along with reduction targets by DOT program or activity

FY 2019 Payment Accuracy Results

Dollars in Millions	OUTLAYS[1]	ESTIMATED PROPER PAYMENT AMOUNT	PROPER PAYMENT RATE	ESTIMATED IMPROPER PAYMENT AMOUNT	IMPROPER PAYMENT RATE	FY 2019 REDUCTION TARGET RATE	FY 2020 REDUCTION TARGET RATE
Program or Activity							
FHWA HPC[2]	$44,998.85	$44,603.16	99.12%	$395.69	0.88%	1.50%	0.85%

[1] Outlays represent the payment populations sampled to estimate IPs. For FY 2019 testing, the program or activity reviewed payments made from October 1, 2017 to September 30, 2018.
[2] Program or activity includes Disaster Relief Appropriation Act of 2013 and Bipartisan Budget Act of 2018 funding.

The FY 2019 Payment Accuracy Results by Payee table provides the estimated amounts improperly paid by DOT or recipients of Federal funds.

FY 2019 Payment Accuracy Results by Payee

Dollars in Millions	ESTIMATED AMOUNT OF IMPROPER PAYMENTS BY	
	DOT	RECIPIENTS OF FEDERAL FUNDS
Program or Activity		
FHWA HPC	—	$395.69

The FY 2019 Root Cause for Improper Payments table provides detailed reasons for DOT's estimated IPs along with overpayment and underpayment amounts and percentages by program or activity.

FY 2019 Root Cause for Estimated Improper Payments

Dollars in Millions	PAYMENT TYPE	ESTIMATED AMOUNT BY ROOT CAUSE						TOTAL ESTIMATED AMOUNT BY IMPROPER PAYMENT TYPE[2]	ESTIMATED PERCENTAGE BY IMPROPER PAYMENT TYPE
		ADMINISTRATIVE OR PROCESS ERROR MADE BY:		PROGRAM DESIGN OR STRUCTURAL ISSUE:		INSUFFICIENT DOCUMENTATION:			
		FEDERAL AGENCY	STATE OR LOCAL AGENCY	FEDERAL AGENCY	STATE OR LOCAL AGENCY	FEDERAL AGENCY	STATE OR LOCAL AGENCY		
Program or Activity									
FHWA	Overpayments	—	$274.261	—	—			$274.261	0.61%
HPC	Underpayments	—	$44.905	—	—			$44.905	0.10%
	Technically Improper[1]			—	$76.527			$76.527	0.17%
	Unknown					—	—	—	0.00%
Total Estimated Amount by Root Cause[2]		—	**$319.166**	—	**$76.527**	—	—	**$395.693**	**0.88%**
Estimated Percentage by Root Cause		**0.00%**	**0.71%**	**0.00%**	**0.17%**	**0.00%**	**0.00%**	**0.88%**	

[1] Technically Improper are payments to the right recipient for the correct amount that failed to follow applicable regulations and/or statutes.

[2] The total figures represent the cumulative results of DOT programs and activities susceptible to significant IPs and are not a statistical estimate for all of DOT's programs and activities.

The FY 2019 Estimated Monetary Loss table provides the estimated amounts within the improperly paid estimate by loss type. DOT categorizes most FHWA HPC improper payments as outside of Agency control since State and local entities administer the Federal funds. FHWA HPC provides assistance to State and local entities to construct, preserve, and improve transportation for the movement of people and goods. Federal tax dollars are allocated and distributed by FHWA directly to State DOTs, as a direct-recipient for Federal-aid projects, or local entities, as sub-recipients for eligible activities. In turn, State DOTs provide oversight of local projects and ensure that local agencies receive and deliver federally-funded projects in compliance with Federal and State requirements.

FY 2019 Estimated Monetary Loss

Dollars in Millions	LOSS TYPE		ESTIMATED AMOUNT BY LOSS TYPE	ESTIMATED PERCENTAGE BY LOSS TYPE
Program or Activity				
FHWA HPC	Monetary Loss[1]	Within Agency Control[2]	—	0.00%
		Outside Agency Control[3]	$274.261	0.61%
	Non-Monetary Loss[4]		$121.432	0.27%
	Unknown[5]		—	0.00%
Estimated Improper Payments Amount			**$395.693**	**0.88%**

[1] Monetary Loss is the estimated amount that should not have been paid but in theory should/could be recovered.
[2] Within Agency Control is the estimated amount due to errors in DOT program processing or billing.
[3] Outside Agency Control is the estimated amount due to factors outside of DOT's control and within the responsibility of the grant recipient.
[4] Non-Monetary Loss is either the estimated amount of underpayments or payments to the right recipient for the correct amount that failed to follow applicable regulations and/or statutes.
[5] Unknown is estimated amount resulting from insufficient or lack of documentation.

III. CORRECTIVE ACTIONS

FHWA will address the root causes of its improper payments, administrative or process errors, and program design by implementing the following corrective actions:

FHWA Highway Planning and Construction Corrective Actions

IMPROPER PAYMENT CATEGORIES	CORRECTIVE ACTION	TARGET COMPLETION DATE
Administrative or process error made by State or local agency	FHWA will address specific issues with each Federal-aid Division Office and grant recipient that had an identified improper payment. If applicable, FHWA will recover overpayments from the grant recipient.	6/30/2020
Program Design or Structural Issue	FHWA will develop a catalog of improper payment risk factors and incorporate them into its annual improper payment training to Division Offices.	10/31/2020

IV. ACCOUNTABILITY, AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE, AND BARRIERS

DOT's Deputy Chief Financial Officer (DCFO) is the senior accountable official responsible for completing improper payments-related remediation plans. The DCFO's performance plan contains accountability mechanisms, which include closure of corrective actions associated with IP remediation plans. For programs above IPIA statutory thresholds, DOT plans to take the following steps to ensure agency officials are held accountable for reducing and recapturing IPs:

FHWA Highway Planning and Construction. FHWA's Office of the Chief Financial Officer (HCF) administers the implementation of the Administration's IPIA requirements. FHWA develops IP reduction targets, implements corrective actions, and coordinates the recapture of IPs identified during IPIA reviews. In addition to the IPIA-related sampling, FHWA conducts additional transaction testing of States and territories for IPs under its Financial Integrity Review and Evaluation (FIRE) program. FHWA, through the FIRE program and other risk-based oversight, incorporates additional reviews on focus areas such as inactive projects, grant administration, and procurement under the administration of State DOTs using Federal funds.

FHWA's HCF monitors FIRE Program findings and recommendations to address identified procedure and internal control weaknesses, ensuring that they are addressed by its accessible units (AU). The AUs develop responses for procedural and internal control weaknesses based on the various reviews completed for FIRE and other program evaluations. HCF monitors AU implementation periodically and assesses yearly performance documentation. The HCF monitors the AUs progress to ensure timely and effective response actions were completed.

DOT and, more specifically, FHWA possess the internal controls, human capital, and information systems necessary to identify and reduce IPs to the targeted reduction rates.

DOT and, more specifically, FHWA have not identified statutory or regulatory barriers that may limit corrective actions in reducing IPs.

V. RECAPTURE OF IMPROPER PAYMENTS REPORTING

During FY 2019, Federal personnel within DOT's Payment Integrity Center performed the payment recapture audit. DOT Payment Integrity Center personnel collaborated with ESC to identify overpayments, initiate collection actions, and explore opportunities to improve departmental payment processes. In order to maintain a cost-effective program, all DOT programs and activities were included within the scope of the payment recapture audit.

The FY 2019 audit scope included payments and financial transactions processed by ESC. The audit concentrated on payments made between April 2018 through March 2019; however, DOT does not limit the scope of the payment recapture audit to a specific time period. The DOT Payment Integrity Center maintains more than 6 years of payment data and may expand the scope of the payment time period when changing parameters or logic.

DOT considers all overpayments identified through the FY 2019 audit to be collectable. ESC typically recoups overpayments directly from the payee by offsetting a payee's future payment or by submitting a debt to the Department of the Treasury's (Treasury's) Offset Program. In most cases, ESC is able to recover the overpayment directly from the payee. In FY 2019, all overpayments recaptured through the audit program were returned to the DOT program or activity's original purpose.

In FY 2019, the DOT Payment Integrity Center focused on analyzing grant recipient credit memorandums. The analysis, which was initiated in FY 2018, demonstrates that grant recipients are submitting credit memorandums to resolve past billing errors; however, more analysis is needed to determine the root causes and frequency of the billing errors. For FY 2020, the DOT Payment Integrity Center plans to continue its analysis of grant recipient credit memorandums.

FY 2019 Overpayment Recaptures with and without Payment Recapture Audit Programs

Dollars in Millions	PAYMENT RECAPTURE AUDIT			OUTSIDE OF PAYMENT RECAPTURE AUDIT			TOTAL		
	AMOUNT IDENTIFIED	AMOUNT RECAPTURED	PERCENT RECAPTURED	AMOUNT IDENTIFIED	AMOUNT RECAPTURED	PERCENT RECAPTURED	AMOUNT IDENTIFIED	AMOUNT RECAPTURED	PERCENT RECAPTURED
Program or Activity									
DOT Payments	$3.19	$3.15	98.77%	$0.91	$0.92	100.30%	$4.10	$4.063	99.11%
OIG Reviews				$12.12	$0.84	6.95%	$12.12	$0.842	6.95%
TOTAL	**$3.19**	**$3.15**	**98.77%**	**$13.03**	**$1.76**	**13.49%**	**$16.22**	**$4.905**	**30.24%**

Identified = Amount of overpayments identified in FY 2019. Actual overpayment may have been made in FY 2019 or prior FYs.
Recaptured = Amount of overpayments recaptured in FY 2019. The overpayment may have been identified in FY 2019 or prior FYs.

FY 2019 Aging of Outstanding Overpayments Identified in the Payment Recapture Audit Programs

Dollars in Millions	AMOUNT AND PERCENT OUTSTANDING (0 – 6 MONTHS)	AMOUNT AND PERCENT OUTSTANDING (6 MONTHS TO 1 YEAR)	AMOUNT AND PERCENT OUTSTANDING (OVER 1 YEAR)	AMOUNT AND PERCENT DETERMINED NOT TO BE COLLECTABLE	TOTAL AMOUNT OUTSTANDING
Program or Activity					
DOT Payments	$0.039	—	$6.385	—	$6.424
	0.61%	0.00%	99.39%	0.00%	100%

Cumulative Results of Payment Recapture Audit Programs (FYs 2004 – 2019)

Dollars in Millions	AMOUNT AND PERCENT IDENTIFIED	AMOUNT AND PERCENT RECAPTURED	AMOUNT AND PERCENT OUTSTANDING	AMOUNT AND PERCENT UNCOLLECTIBLE
Program or Activity				
DOT Payments	$32.69	$26.26	$6.42	$0.01
	100%	80.33%	19.65%	0.02%

VI. AGENCY IMPROVEMENT OF PAYMENT ACCURACY WITH THE DO NOT PAY INITIATIVE

An important part of the Department's program integrity efforts is integrating Treasury's Do Not Pay (DNP) Business Center into our existing processes. DOT utilizes the DNP Business Center to perform online searches, screen payments against the DNP databases, and augment DOT's Payment Integrity Center capabilities. The Department has neither identified a material amount of IPs nor realized a reduction of IPs attributable to the implementation of DNP capabilities. Rather, DNP implementation has proven that DOT has robust and effective internal controls to ensure that eligible entities receive Federal funds.

FRAUD REDUCTION REPORT

The Fraud Reduction and Data Analytics Act of 2015 (FRDA), enacted on June 30, 2016, requires agencies to enhance their financial and administrative controls, bolster procedures to assess and mitigate fraud risks, and improve the development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

The Department is committed to preventing and detecting fraud within its programs and is taking steps to prevent fraudulent activity in the future by implementing a fraud risk management program. Our phased approach enables us to utilize a maturity model to build and adapt the program over time. The three phases of our plan to implement FRDA requirements include:

- Phase 1: Develop DOT's Fraud Risk Management Implementation Plan
- Phase 2: Establish DOT's Fraud Risk Management Program
- Phase 3: Implement DOT's Fraud Risk Management Framework

During FY 2019, we focused on phase two of our Fraud Risk Management Implementation Plan by piloting a fraud risk study as part of the Department's IP risk assessment framework. We are evaluating the results of the pilot and feasibility of adding a fraud risk study to future IP risk assessments. Depending on our evaluation, we may leverage the IP risk assessment as a mechanism to perform periodic fraud risk assessments of DOT programs and activities.

Historically, when fraud occurs with departmental funds, it routinely involves grant funds. The primary sources of grant-related fraud in FY 2019 were fraud in the Disadvantaged Business Enterprise (DBE) program and false claims made on infrastructure projects administered by grant recipients where Federal funds comprised a portion of the project funding. The Department acknowledges that this is an area with persistent fraud and is working to prevent fraud in the DBE program by providing oversight, guidance, and technical assistance to recipients of Federal funding. In addition, the Department's OAs have taken additional steps to address DBE fraud. For example, FHWA has budgeted for a staff member to conduct on-site visits at State DOTs to provide technical assistance in providing oversight of DBE participation to detect fraud. Further, the Department adheres to Federal suspension and debarment regulations to prevent irresponsible parties from receiving federally funded grant awards. In addition, each OA has its own controls to prevent fraud. FTA conducts triennial reviews of its grant programs to ensure Federal funds are not mismanaged.

In FY 2019, the Department had $2.4 million of confirmed fraud within its programs, compared to net outlays in excess of $84 billion. Besides grant-related activity, we did not identify a significant amount of confirmed fraud in FY 2019 related to payroll, beneficiary payments, large contracts, or charge cards. We will continue monitor the financial and administrative controls over these activities as we implement our fraud risk management program.

FEDERAL REAL PROPERTY INITIATIVE—REDUCE THE FOOTPRINT

Several OMB initiatives have focused on the aggressive disposal of excess properties held by Federal agencies. The "Freeze the Footprint" (FTF) initiative, implemented by OMB Management Procedures Memorandum No. 2013-02, requires Federal agencies to make more efficient use of their real property assets and to reduce their domestic office and warehouse inventory, in square footage (SF) terms, from their FY 2012 baseline levels. This initiative was superseded by OMB Management Procedures Memorandum No. 2015-01, the "Reduce the Footprint" (RTF) initiative, which recalculated the Federal Real Property Profile (FRPP) data asset cohort in FY 2015. The new baseline is scheduled to remain in effect through FY 2020.

In response, the Department has undertaken numerous efforts to avoid unnecessary real property costs, including the implementation of new asset management processes, the utilization of new real property data management tools, and the training and certification of real estate contracting officers. DOT uses in-house tools and procedures to document, monitor, and track space solutions projects. The Department analyzes projects against established metrics and strategic goals prior to approval, resulting in the consolidation, colocation, and/or disposal of facilities and regional offices, where possible. The Department's partnership with GSA on the Client Portfolio Planning initiative to create a comprehensive real property portfolio management plan has resulted in several completed, on-going, and planned consolidation projects.

DOT performs systematic reviews on all leases expiring within five years to consider all available options in the current marketplace. New lease and construction projects under consideration undergo a rigorous evaluation and approval process. To help with the analysis required by these reviews, the ARCHIBUS Space Management tool provides current space primary use and occupancy/utilization data to guide decision-making. The Department regularly updates the Real Estate Management System (REMS) to track the inventory of all DOT OAs.

The Department's comparison of its FY 2018 leased and owned office and warehouse property space to its FY 2015 baseline is summarized in the table below:

Exhibit I: Reduce the Footprint Policy Baseline Comparison

In Millions	FY 2015 BASELINE (FTF)	PRIOR FY 2018[1] (RTF)	CHANGE (2015-2018)
Square Footage	13	12[2]	(1)

[1] FY 2018 is the most recent period for which data is available, as fiscal year square footage data is not verified and finalized until the end of the calendar year.

[2] Management Procedures Memorandum No. 2015-01 requires agency FRPP data to be recalculated based on a "Reduce the Footprint" data asset cohort, which is slightly different than the "Freeze the Footprint" data asset cohort. Comparison of FY 2015 FTF data (13,021,425 SF) to FY 2015 RTF data (12,890,094 SF) results in a difference of 131,331 SF.

In FY 2018, the Department achieved an additional reduction of office and warehouse space of 156,619 SF through consolidation, colocation, and disposition. However, recent expansion of the Department's mission has slightly tempered the measurement results of office and warehouse space reduction efforts. For example, the Department is in the process of acquiring office space and facilities to conduct new vehicle inspection duties at the border and to oversee the operation of a metropolitan rail transportation system, as required by the Grow America Act.

DOT has also implemented several cost savings and cost avoidance initiatives, such as improvements in energy efficiency and disposition of assets. The High Performance Sustainable Buildings initiative improves the efficiency of building operations by acquiring sustainable buildings within the lease portfolio, enhances the management of utility data and performance, and provides related training and awareness. Sustainable practices include optimizing building energy performance, improving water conservation, enhancing indoor environmental quality, and reducing the impact of materials on the environment. Another tool, the Real Property Disposal Cost Control Measure, monitors the monthly and year-to-date cost savings and cost avoidance of disposed assets.

Exhibit II: Reporting of Operating and Maintenance (O&M) Costs - Owned and Directly Leased Buildings

Dollars in Millions	FY 2015 REPORTED COST (FTF)	PRIOR FY 2018[1] (RTF)	CHANGE (2015-2018)
Operation and Maintenance Costs[2]	$89.7	$98.0[3]	$(8.3)

[1] FY 2018 is the most recent period for which data is available, as fiscal year square footage data is not verified and finalized until the end of the calendar year.
[2] Annual Operating costs, as defined by the Federal Real Property Council (FRPC) guidance for real property inventory, consists of: recurring maintenance and repair costs, utilities, cleaning and/or janitorial costs, roads/grounds expense and, in some cases, annual rental costs for leased properties.
[3] Management Procedures Memorandum No. 2015-01 requires new agency FRPP data to be recalculated based on a "Reduce the Footprint" data asset cohort, which is slightly different than the "Freeze the Footprint" data asset cohort. Comparison of FY 2015 FTF data operating cost $(89,727,692) to FY 2015 RTF data operating cost $(90,553,528) results in a difference of $(825,836).

A comparison of FY 2018 RTF operation and maintenance cost of $98,011,438 to FY 2015 RTF operation and maintenance cost of $92,177,992 shows an increase of $5,833,446. The increase is primarily due to Air Traffic Organization (ATO) engineering survey allocations consisting of higher assessed replacement and repair cost estimates for DOT-owned facilities.

The Department will continue to seek opportunities to reduce office and warehouse space use. Through the numerous real property control processes, management tools placed in operation, and the efforts of a Department-wide team of dedicated professionals, the Department ensures compliance with the objectives of "Freeze the Footprint" initiative, and more recently, the "Reduce the Footprint" initiative, to reduce the square footage and cost of its domestic office and warehouse inventory.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

On November 2, 2015, the President signed the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (“the 2015 Act”). The 2015 Act amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect.

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

The following table shows the civil penalties that the DOT may impose, the authority for imposing the penalty, year penalty was enacted or adjusted by Congress, the latest year of inflation adjustments, current penalty level, DOT Operating Administration (OA) that is responsible for the penalty, and the location for additional penalty adjustment details.

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
33 U.S.C. 1232	Maximum civil penalty for each violation of the Seaway Rules and Regulations at 33 CFR part 401	1978	2019	$94,219	Saint Lawrence Seaway Development Corporation (SLSDC)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes	2003	2019	$34,174	Office of the Secretary of Transportation (OST)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,503	OST	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$13,669	OST	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$6,834	OST	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$3,418	OST	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2019	$892	Federal Railroad Administration (FRA)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. Ch. 213	Ordinary maximum rail safety penalty	2008	2019	$29,192	FRA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2019	$116,766	FRA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2019	$493	FRA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2018	$81,993	FRA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2018	$191,316	FRA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 525	Appendix A II Subpoena	2012	2019	$1,093	Federal Motor Carrier Safety Administration (FMCSA)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 525	Appendix A II Subpoena	2012	2019	$10,932	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(7)	Appendix A IV (a) Out-of-service order (operation of CMV by driver)	1990	2019	$1,895	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(7))	Appendix A IV (b) Out-of-service order (requiring or permitting operation of CMV by driver)	1990	2019	$18,943	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,895	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$18,943	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(B)	Appendix A IV (e) Out-of-service order (failure to return written certification of correction)	1990	2019	$947	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(F)	Appendix A IV (g) Out-of-service order (failure to cease operations as ordered)	2012	2019	$27,331	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 521(b)(7)	Appendix A IV (h) Out-of-service order (operating in violation of order)	1984	2019	$24,017	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$15,419	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(7)	Appendix A IV (j) (conducting operations during suspension or revocation)	1984	2019	$24,017	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2019	$1,270	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2019	$12,695	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2019	$12,695	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2019	$15,419	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2019	$3,855	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 31310(i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (first conviction)	2005	2019	$3,174	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 31310(i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (second or subsequent conviction)	2005	2019	$6,348	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2019	$5,732	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$3,174	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$6,348	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$5,732	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
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	2019	$31,737	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 31310(j)(2)(B)	Appendix B (b)(3) Special penalties pertaining to railroad-highway grade crossing violations	1995	2019	$16,453	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2019	$16,915	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$81,993	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(3)	Appendix B (e)(2) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)--minimum penalty	2012	2019	$493	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(1)	Appendix B (e)(2): Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)--maximum penalty	2012	2019	$81,993	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(1)	Appendix B (e)(3) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (packaging or container)	2012	2019	$81,993	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(1)	Appendix B (e)(4): Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (compliance with FMCSRs)	2012	2019	$81,993	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(2)	Appendix B (e)(5) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (death, serious illness, severe injury to persons; destruction of property)	2012	2019	$191,316	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
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	2019	$27,331	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$81,993	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$191,316	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901(a)	Appendix B (g)(1): Violations of the commercial regulations (CR) (property carriers)	2012	2019	$10,932	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2019	$10,932	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901(a)	Appendix B (g)(3) Violations of the CRs (passenger carriers)	2012	2019	$27,331	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901(a)	Appendix B (g)(4) Violations of the CRs (foreign motor carriers, foreign motor private carriers)	2012	2019	$10,932	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the CRs (foreign motor carriers, foreign motor private carriers before implementation of North American Free Trade Agreement land transportation provisions)—maximum penalty for intentional violation	1999	2019	$15,034	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the CRs (foreign motor carriers, foreign motor private carriers before implementation of North American Free Trade Agreement land transportation provisions)—maximum penalty for a pattern of intentional violations	1999	2019	$37,587	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$21,865	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$43,730	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
I49 U.S.C. 14901(d)(1)	Appendix B (g)(7): Violations of the CRs (HHG carrier or freight forwarder, or their receiver or trustee)	1995	2019	$1,644	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$3,291	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901(e)	Appendix B (g) (8) Violation of the CRs (weight of HHG shipment, charging for services) subsequent violation	1995	2019	$8,227	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2019	$164,531	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—first violation	1995	2019	$328	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—subsequent violations	1995	2019	$411	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14904(b)(1)	Appendix B (g)(12): Tariff violations (freight forwarders)—maximum penalty for first violation	1995	2019	$823	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 14904(b)(1)	Appendix B (g)(12): Tariff violations (freight forwarders)—maximum penalty for subsequent violations	1995	2019	$3,291	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$823	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$3,291	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14905	Appendix B (g)(14): Violations related to loading and unloading motor vehicles	1995	2019	$16,453	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,093	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14907	Appendix B (g)(16): Reporting and recordkeeping under 49 U.S.C. subtitle IV, part B—maximum penalty	1995	2019	$8,227	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14908	Appendix B (g)(17): Unauthorized disclosure of information	1995	2019	$3,291	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14910	Appendix B (g)(18): Violation of 49 U.S.C. subtitle IV, part B, or condition of registration	1995	2019	$823	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14905	Appendix B (g)(21)(i): Knowingly and willfully fails to deliver or unload HHG at destination	1995	2019	$16,453	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901(d)(2)	Appendix B (g)(22): HHG broker estimate before entering into an agreement with a motor carrier	2005	2019	$12,695	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 14901 (d)(3)	Appendix B (g)(23): HHG transportation or broker services—registration requirement	2005	2019	$31,737	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,270	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

STATUTORY AUTHORITY	PENALTY (NAME OR DESCRIPTION)	YEAR ENACTED	LATEST YEAR OF ADJUSTMENT	CURRENT PENALTY LEVEL	OA	LOCATION FOR PENALTY UPDATE DETAILS
49 U.S.C. 521(b)(2)(E)	Appendix B (h): Copying of records and access to equipment, lands, and buildings—maximum total penalty	2005	2019	$12,695	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—minimum penalty for first violation	2012	2019	$2,187	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—maximum penalty for first violation	2012	2019	$5,466	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—minimum penalty for subsequent violation(s)	2012	2019	$2,732	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 524	Appendix B (i)(1): Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—maximum penalty for subsequent violation(s)	2012	2019	$8,199	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$2,187	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$5,466	FMCSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2019	$218,647	Pipeline and Hazardous Materials Safety Administration (PHMSA)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

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49 U.S.C. 60122(a)(1)	Maximum penalty for a related series of pipeline safety violations	2012	2019	$2,186,465	PHMSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 60122(a)(2)	Maximum penalty for liquefied natural gas pipeline safety violation	1996	2019	$79,875	PHMSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2019	$1,270	PHMSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123	Maximum penalty for hazardous materials violation	2012	2019	$81,993	PHMSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$191,316	PHMSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2019	$493	PHMSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 30165(a)(2)(A)	Maximum penalty per school bus related violation of the Safety Act	2005	2019	$12,695	National Highway Traffic Safety Administration (NHTSA)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 30165(a)(2)(B)	Maximum penalty amount for a series of school bus related violations of the Safety Act	2005	2019	$19,042,502	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 30165(a)(4)	Maximum penalty per violation for filing false or misleading reports	2012	2019	$5,466	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 30165(a)(4)	Maximum penalty amount for a series of violations related to filing false or misleading reports	2012	2019	$1,093,233	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,783	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32507(a)	Maximum penalty amount for each violation of a bumper standard under the Motor Vehicle Information and Cost Savings Act (Pub. L. 92-513, 86 Stat. 953, (1972))	1972	2019	$2,924	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

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49 U.S.C. 32507(a)	Maximum penalty amount for a series of violations of a bumper standard under the Motor Vehicle Information and Cost Savings Act (Pub. L. 92-513, 86 Stat. 953, (1972))	1972	2019	$3,256,233	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$2,924	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,594,890	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32308(c)	Maximum penalty for each violation related to the tire fuel efficiency information program	2007	2019	$60,518	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32309	Maximum civil penalty for willfully failing to affix, or failing to maintain, the label requirement in the American Automobile Labeling Act (Pub. L. 102-388, 106 Stat. 1556 (1992))	1992	2019	$1,783	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2019	$10,932	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32709	Maximum penalty amount for a related series of violations related to odometer tampering and disclosure	2012	2019	$1,093,233	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32710	Maximum penalty amount per violation related to odometer tampering and disclosure with intent to defraud	2012	2019	$10,932	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 33115(a)	Maximum penalty amount for each violation of the Motor Vehicle Theft Law Enforcement Act of 1984 (Vehicle Theft Act), sec. 608, Pub. L. 98-547, 98 Stat. 2762 (1984)	1984	2019	$2,402	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

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49 U.S.C. 33115(a)	Maximum penalty amount for a related series of violations of the Motor Vehicle Theft Law Enforcement Act of 1984 (Vehicle Theft Act), sec. 608, Pub. L. 98-547, 98 Stat. 2762 (1984)	1984	2019	$600,388	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 33115(b)	Maximum civil penalty for violations of the Anti-Car Theft Act (Pub. L. 102-519, 106 Stat. 3393 (1992)) related to operation of a chop shop	1992	2019	$178,338	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 32902	Maximum civil penalty for a violation under the medium- and heavy-duty vehicle fuel efficiency program	1975	2019	$41,882	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
The Energy Policy and Conservation Act (EPCA) of 1975, P. L. 94-163, § 508, 89 Stat. 912[1]	Civil penalty for each violation of 49 U.S.C. 32911(a)	1975	2019	$42,530	NHTSA	https://www.federalregister.gov/documents/2019/07/26/2019-15259/civil-penalties
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for each violation of the Safety Act	2016	2019	$22,329	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for a related series of violations of the Safety Act	2016	2019	$111,642,265	NHTSA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$21,038	Maritime Administration (MARAD)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$52,596	MARAD	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$21,134	MARAD	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

[1] In a final rule published on July 26, 2019, NHTSA determined the 2015 Act does not apply to several penalties related to violations of the Corporate Average Fuel Economy (CAFE) program because those penalties are not "civil monetary penalties" as defined by the 2015 Act. 84 FR 36007 (https://www.federalregister.gov/documents/2019/07/26/2019-15259/civil-penalties). Those penalties, which were included in prior versions of this chart, are those contained in: (1) EPCA, P. L. 95-619, 402, 92 Stat. 3255; (2) EPCA, P. L. 94-163, § 508, 89 Stat. 912

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46 U.S.C. 50113(b)	Maximum civil penalty for failure to file an AMVER report	1956	2019	$133	MARAD	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$26,582	MARAD	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
46 U.S.C. 12151	Maximum civil penalty for violations in applying for or renewing a vessel's fishery endorsement	1998	2019	$154,197	MARAD	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$34,174	Federal Aviation Administration (FAA)	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,501	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$1,501	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$13,669	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$13,669	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$13,669	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$13,669	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts

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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	2019	$13,669	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2019	$4,388	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 46302	Knowingly providing false information about alleged violation involving the special aircraft jurisdiction of the United States	1984	2019	$23,832	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 46318	Interference with cabin or flight crew	2000	2019	$35,883	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2019	$13,669	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$20,923	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$240,155	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	2012	2019	$81,993	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
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	2019	$191,316	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(3)	Minimum penalty for violation of hazardous materials transportation law relating to training	2012	2019	$493	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts
49 U.S.C. 5123(a)(3)	Maximum penalty for violation of hazardous materials transportation law relating to training	2012	2019	$81,993	FAA	https://www.federalregister.gov/documents/2019/07/31/2019-14101/revisions-to-civil-penalty-amounts