



DOT's Top Management Challenges

FY2021 | October 21, 2020



DOT's Fiscal Year 2021 Top Management Challenges

Required by the Reports Consolidation Act of 2000 and OMB Circular A-136

Office of the Secretary of Transportation | PT2021002 | October 21, 2020

What We Looked At

As required by law, we report annually on the Department of Transportation's (DOT) most significant challenges to meeting its mission. We considered several criteria in identifying DOT's top management challenges for fiscal year 2021, including their impact on safety, documented vulnerabilities, large dollar implications, and the ability of the Department to effect change. In addition, we recognize that the Department faces the extraordinary task of meeting these challenges while also responding to the Coronavirus Disease 2019 (COVID-19) global pandemic, including implementing the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Accordingly, we included CARES Act and COVID-19 considerations in all eight of our top management challenges.

What We Found

We identified the following top management challenge areas for fiscal year 2021:

- **Aviation safety.** Key challenges: improving FAA's oversight of aircraft certification processes and enhancing aviation safety oversight while working in a collaborative environment.
- **Surface transportation safety.** Key challenges: ensuring compliance with safety regulations and programs and continuing progress in safety monitoring and enforcement.
- **Air traffic control and airspace modernization.** Key challenges: modernizing new systems while introducing new capabilities and implementing new performance-based navigation flight procedures and delivering benefits to airspace users.
- **Surface transportation infrastructure.** Key challenges: enhancing oversight of surface transportation projects and employing effective asset and performance management.
- **Contract and grant fund stewardship.** Key challenges: awarding pandemic relief and other DOT contracts and grants efficiently, effectively, and for intended purposes and enhancing contract and grant management and oversight to achieve desired results and compliance with requirements.
- **Information security.** Key challenges: addressing longstanding cybersecurity weaknesses and developing Departmentwide policy to validate the proper adoption and security of cloud services.
- **Financial management.** Key challenges: strengthening procedures to monitor and report grantee spending and preventing an increase in improper payments.
- **Innovation and the future of transportation.** Key challenges: adapting oversight approaches for emerging vehicle automation technologies and ensuring the safe integration of Unmanned Aircraft Systems in the National Airspace System.

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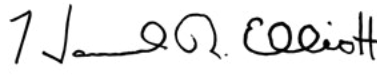
Appendix. Department Response



Memorandum

Date: October 21, 2020

Subject: INFORMATION: DOT's Fiscal Year 2021 Top Management Challenges
Report No. PT2021002

From: Howard R. "Skip" Elliott 
Acting Inspector General

To: The Secretary
Deputy Secretary

The United States transportation system is vital to our Nation's economy and way of life, connecting Americans to workplaces, schools, goods and services, and each other. The Department of Transportation (DOT) works to ensure our Nation has the safest, most efficient, and modern transportation system in the world, one that improves our quality of life and increases the productivity of American workers and businesses.

Our office supports the Department's mission through audits and investigations that identify improvements to the management and execution of its transportation programs. Each year, as required by law, we report on DOT's top management challenges to help the Department meet its [strategic priorities](#) across its wide-ranging transportation program areas. These priorities include enhancing safety, improving transportation infrastructure, fostering innovation, and promoting accountability.

At the same time, we recognize that the Department faces the new and extraordinary task of meeting these priorities while also responding to the Coronavirus Disease 2019 (COVID-19) global pandemic. The transportation industry has been one of the hardest hit by the pandemic, which has dealt sweeping and likely long-lasting impacts to all sectors, from aviation and public transit to infrastructure construction projects and more. In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act provided DOT with over \$36 billion to prevent, prepare for, and respond to COVID-19. Implementing the act became an immediate priority and a new challenge for the Department.

DOT rose to this challenge by quickly obligating CARES Act funding. As of September 28, 2020, the Department reports that it has obligated more than 93 percent of these funds to our Nation's airports, transit agencies, Amtrak, and other critical recipients.

As we noted in our [June 17, 2020, memorandum](#), we are committed to helping the Department maximize the efficacy of CARES Act funds, recognizing that the speed with which the funds had to be disbursed created new oversight challenges. Undoubtedly, the challenges surrounding COVID-19 and oversight of CARES Act requirements will influence the Department's priorities and actions for years to come. Accordingly, in this year's report, we

have included CARES Act and COVID-19 considerations in all eight of our top management challenges.

For example, the safety of the traveling public remains DOT's top priority, but the pandemic has added new dimensions to the Department's efforts. In the area of aviation, the Department will need to improve oversight of aircraft certification processes and air carrier safety programs, while also reviewing and responding to numerous requests from the industry to update regulations and guidance in response to COVID-19. For surface transportation, DOT must enhance oversight to ensure compliance with vital safety regulations for highway, motor carrier, pipeline, and railroad programs. At the same time, the Department will need to address the economic impacts the pandemic may have on State and local funding for surface transportation safety programs.

Responding to COVID-19 and the CARES Act also increases DOT's existing challenges related to strengthening our Nation's transportation infrastructure. For example, DOT continues its multibillion-dollar investment in efforts to modernize our aging air traffic control network and implement new, advanced capabilities. However, completing these efforts—and achieving their expected benefits—will likely face delays due to the monumental decline in air traffic resulting from COVID-19. In addition, the CARES Act has added an additional \$26 billion to the Department's typical \$50 billion annual investment in highway, transit, and railroad infrastructure programs. While robust oversight is always critical to ensure that infrastructure projects adhere to Federal requirements, the additional CARES Act projects mean that States and other grantees must place increased emphasis on sound asset and performance management practices.

In addition, because the pandemic could have long-term effects on our transportation system, the Department will need to target some of its innovation priorities to address new and evolving needs. For example, DOT is currently working to oversee the safe integration of Unmanned Aircraft Systems (UAS) in the same airspace as manned aircraft. This challenge is now compounded by the fact that the COVID-19 emergency has increased the sense of urgency to approve expanded use of UAS into daily life, such as delivery of medical goods and supplies.

In light of these heightened challenges, it is more important than ever that the Department focus management attention on its goal of accountability, particularly with regard to efficient use of taxpayer funds. Chief among DOT's challenges will be awarding pandemic relief and other DOT contracts and grants efficiently, effectively, and for intended purposes. The recent influx of new grant funding may also present financial management challenges. For example, DOT will now have to monitor significantly more grants and grantees to continue reducing improper payments and to comply with mandatory reporting requirements. DOT must also ensure it protects the integrity of its financial management information systems to effectively administer and oversee CARES ACT funds while maintaining focus on longstanding cybersecurity weaknesses.

We considered several criteria to identify the Department's top management challenges for fiscal year 2021, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change. In the enclosed report, we identify and discuss the following challenge areas:

- Aviation Safety
- Surface Transportation Safety
- Air Traffic Control and Airspace Modernization
- Surface Transportation Infrastructure
- Contract and Grant Fund Stewardship
- Information Security
- Financial Management
- Innovation and 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, including oversight of the funding provided through the CARES Act. We appreciate the Department's commitment to prompt action in response to the challenges we have identified. This report and the Department's response will be included in DOT's Annual Financial Report, as required by law.

If you have any questions regarding this report, please contact me at (202) 366-1959. You may also contact Barry J. DeWeese, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1302.

cc: DOT Audit Liaison, M-1

Index of DOT Operating Administrations (OAs) Discussed in Each Chapter

OPERATING ADMINISTRATIONS	CHAPTER
Federal Aviation Administration (FAA)	Aviation Safety Air Traffic Control and Airspace Modernization Innovation and the Future of Transportation
Federal Highway Administration (FHWA)	Surface Transportation Infrastructure Innovation and the Future of Transportation
Federal Motor Carrier Safety Administration (FMCSA)	Surface Transportation Safety Innovation and the Future of Transportation
Federal Railroad Administration (FRA)	Surface Transportation Safety Surface Transportation Infrastructure Innovation and the Future of Transportation
Federal Transit Administration (FTA)	Surface Transportation Infrastructure Innovation and the Future of Transportation
National Highway Traffic Safety Administration (NHTSA)	Surface Transportation Safety Innovation and the Future of Transportation
Pipeline and Hazardous Materials Safety Administration (PHMSA)	Surface Transportation Safety
Cross-modal/Departmentwide	Contract and Grant Fund Stewardship Information Security Financial Management

AVIATION SAFETY



OAs Impacted
FAA

Related DOT Strategic Goals
Safety

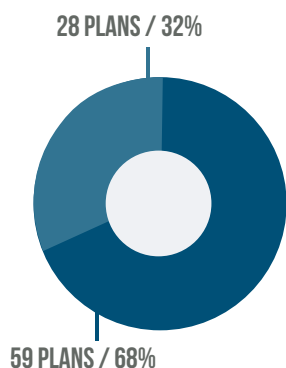
FAA is responsible for maintaining the safety of a diverse, complex, and rapidly evolving aviation industry. While FAA has historically maintained an excellent safety record, two fatal accidents in October 2018 and March 2019 and the subsequent grounding of the FAA-certified Boeing 737 MAX aircraft brought to light significant issues related to FAA's certification process and use of delegation authority to certify new aircraft designs. In addition, FAA continues to face challenges related to air carrier safety oversight and aircraft maintenance, as we highlighted recently at Allegiant Air and Southwest Airlines.

Improving FAA's Oversight of Aircraft Certification Processes

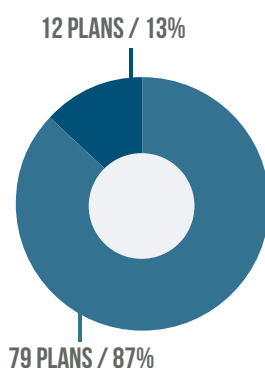
- Recognizing that it is not possible for FAA employees to oversee every facet of the large aviation industry, Federal law allows the Agency to delegate certain functions to private individuals or organizations, such as determining compliance with aircraft certification regulations.
- While delegation is essential to meeting FAA's certification goals, the Agency faces the significant challenge of ensuring that manufacturers maintain high standards and comply with safety regulations, especially as delegation increases throughout a certification project. For example, as we [recently reported](#), by the final stages of the Boeing 737 MAX 8 certification process, FAA had delegated more than 85 percent of the aircraft's certification plans to Boeing (see figure).
- Resolving identified issues related to the certification of the 737 MAX aircraft—such as inconsistent communication within FAA and between FAA and industry—will remain a key challenge for FAA.
- FAA must also continue to improve its oversight processes for its delegation program, as we recommended [in 2015](#). We are continuing to examine the certification process for an upcoming report. Ultimately, continued management attention will be critical to ensure FAA identifies and monitors the highest-risk and safety-critical areas of aircraft certification.

Boeing 737 MAX 8 Certification Plans Delegated and Retained by FAA at Key Certification Milestones

Certification Plans at Master Certification (November 2013)



Certification Plans as of November 2016



■ Certification Plans Delegated

■ Certification Plans Retained

Note: FAA certified the Boeing 737 MAX 8 in March 2017.

Source: OIG analysis of FAA and Boeing data

CARES Act Considerations

While the CARES Act does not directly address aviation safety, the COVID-19 pandemic has challenged FAA in certain areas:

- **Air carrier operations.** Passenger carriers have experienced an unprecedented drop in demand for air travel, resulting in reduced schedules.
- **Aircraft airworthiness.** Aircraft removed from service temporarily will need to undergo additional maintenance prior to return to service.
- **Industry requests.** FAA is evaluating a large number of requests from across the aviation industry to help address COVID-19 related effects, including amending regulations and issuing guidance.

Enhancing Aviation Safety Oversight While Working in a Collaborative Environment

- In recent years, FAA has implemented changes aimed at enhancing collaboration with industry to mitigate safety risks. Through its Compliance Program, which began in 2015, FAA prefers to first work with air operators to address root causes of safety violations rather than impose enforcement actions.
- However, we found that FAA inspectors face challenges in navigating these changes when attempting to hold operators accountable for regulatory compliance. For example, as we reported in [December 2019](#), local inspectors proposed a 30-day suspension for a repair station due to a severe maintenance issue, only to be overruled by regional officials who ordered the case closed without any punitive action.
- At another carrier, FAA relied on the carrier's risk assessments to justify continued noncompliances with safety regulations, such as operating noncompliant pre-owned aircraft. As we reported in [February 2020](#), these actions put more than 17 million passengers at risk (see figure).
- In both reports, we made a number of recommendations to help FAA meet its safety oversight challenges, including to improve guidance for FAA inspectors on evaluating air carrier safety risk assessments and addressing recurring noncompliances.

Safety Concerns at Southwest Airlines Identified in Our February 2020 Report

2 YEARS 

AMOUNT OF TIME FAA ALLOWED THE CARRIER TO RESOLVE
ONGOING AIRCRAFT SAFETY ISSUES

150,000 

NUMBER OF FLIGHTS OPERATED ON PREVIOUSLY OWNED
AIRCRAFT THAT DID NOT MEET U.S. SAFETY STANDARDS

17.2 MILLION 

PASSENGERS PUT AT RISK

Source: OIG analysis of FAA data

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



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Recent Progress Reported by the Department

- **Boeing 737 MAX certification.** FAA is taking steps to address recommendations from multiple external and internal reviews, including areas we identified in our October 2015 report.
- **Oversight.** In response to our recommendation, FAA is working on a policy revision to implement a risk-based approach to Organization Designation Authorization oversight by December 2020.
- **Air carrier safety oversight.** FAA is working toward resolving our 20 recommendations aimed at enhancing oversight of Allegiant Air and Southwest Airlines.

Related OIG Work

[Timeline of Activities Leading to the Certification of the Boeing 737 MAX 8 Aircraft and Actions Taken After the October 2018 Lion Air Accident](#) (June 29, 2020)

>> We did not make recommendations; the data gathered were informational in response to the Secretary's request.

[FAA Has Not Effectively Overseen Southwest Airlines' Systems for Managing Safety Risks](#) (February 11, 2020)

>> 11 recommendations (10 open, 1 closed)

[FAA Needs To Improve Its Oversight To Address Maintenance Issues Impacting Safety at Allegiant Air](#) (December 17, 2019)

>> 9 recommendations (9 open, 0 closed)

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



SURFACE TRANSPORTATION SAFETY

OAs Impacted
FMCSA, FRA,
NHTSA, PHMSA

Related DOT Strategic Goals
Safety

DOT's top priority is to ensure the U.S. transportation system is the safest in the world. Although the number of fatalities in all motor vehicle traffic crashes on U.S. roadways decreased by 3.3 percent from 2016 to 2018, fatalities in crashes involving large trucks or buses have increased by 5.8 percent. To enhance safety, the Department faces the ongoing challenge of ensuring compliance with regulations for safety programs nationwide. At the same time, DOT must continue making progress on monitoring and enforcement efforts in order to have timely and effective outcomes for highway, motor carrier, pipeline, and railroad safety programs.

Ensuring Compliance With Safety Regulations and Programs

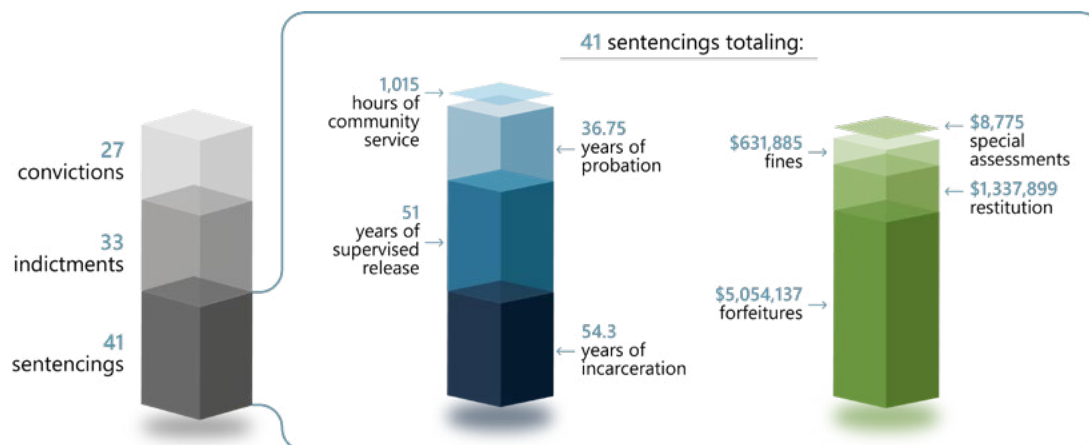
- As part of its effort to reduce crashes involving large trucks and buses, FMCSA must provide robust oversight of States' compliance with requirements for commercial driver's license (CDL) programs. This includes, for example, monitoring certified medical examiners who conduct physical examinations to confirm drivers are qualified to operate commercial vehicles. In addition, FMCSA must take steps to identify and prevent CDL fraud. OIG investigations have uncovered fraud related to several CDL issues, including commercial driver medical examinations involving doctors or drivers, public corruption of State employees, CDL third-party testers, reincarnated carriers, and other CDL-related issues (see figure).
- Regarding rail safety, FRA will be challenged to develop audit procedures, training, and support tools for railroad safety staff to address regulations such as positive train control, system safety, and risk reduction. Based on our recent audits, taking these actions is critical to focus the Agency's limited resources on oversight, enforcement, and following up on high-risk safety requirements and performance areas. FRA also needs to improve program management capabilities critical to verifying that railroads take corrective actions in areas such as drug and alcohol testing, railroad conductor certification, and rail safety data reporting.
- An overall challenge to PHMSA's oversight of the Nation's aging pipeline infrastructure is enforcing compliance with pipeline safety-related laws and requirements. PHMSA will need to manage its workforce needs to ensure it can provide oversight of the safe transportation of natural gas, petroleum, and other hazardous materials. This includes hiring and retaining pipeline safety staff to address longstanding retention and recruitment challenges.

CARES Act Considerations

The CARES Act authorized the Department to temporarily waive certain Federal requirements associated with the surface transportation system and related grant programs. Challenges include monitoring the use of waivers to ensure they do not adversely impact program effectiveness and public safety, providing transparency, and meeting congressional reporting requirements.

In addition, DOT will need to address economic impacts the pandemic may have on State and local funding for surface transportation safety programs.

OIG Investigations Related to CDL Fraud,* 2016–2020



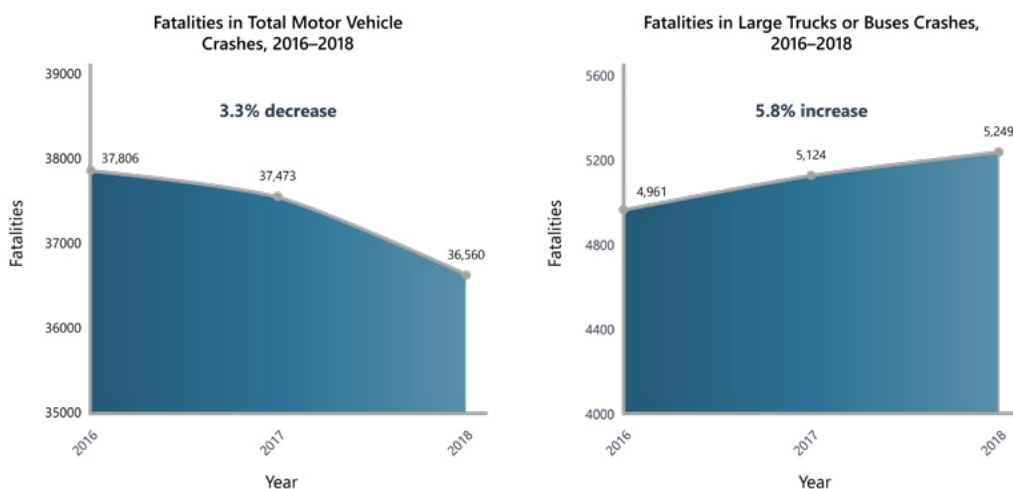
Source: OIG

* Cases include CDL medical examination fraud involving doctors or drivers, public corruption of State employees, CDL third-party tester fraud; reincarnated carriers, and other CDL fraud.

Continuing Progress in Safety Monitoring and Enforcement

- One of FMCSA's key safety challenges is identifying motor carriers with safety concerns and better prioritizing high-risk carriers for interventions. As we reported [in 2019](#), FMCSA is testing a statistical model to gauge how it prioritizes motor carrier safety interventions, but the Agency lacks implementation details for improving transparency and its assessment of carrier safety rankings. To meet this challenge, FMCSA must take steps to ensure it has the quality data needed to support its assessment of motor carrier safety performance.
- Identifying vehicle safety defects and monitoring recalls remains key to reducing overall traffic crashes and fatalities. To better meet this goal, NHTSA recently established process improvements such as establishing an online portal for manufacturer recall submissions; enhancing requirements for owner notification letters; and establishing a risk-based approach to review recalls for adequate scope and remedy. NHTSA must remain vigilant and focus on manufacturers' adherence to these improvements to ensure the safety of vehicles operated on our Nation's roads.

Fatalities in Motor Vehicle Crashes (Total Crashes vs. Crashes Involving Large Trucks or Buses), 2016-2018



Source: OIG analysis of DOT data

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



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Recent Progress Reported by the Department

The Department has implemented several OIG recommendations in recent years. These include PHMSA's improvements to its oversight policies for liquefied natural gas facilities, FMCSA's efforts to strengthen controls for reviewing high-risk carriers, and FRA's new procedures and training on auditing compliance with railroad safety data requirements.

Additionally, DOT has taken action to ensure that nearly all U.S. rail systems subject to the statutory mandate have successfully implemented positive train control systems, an area that we previously identified as a top management challenge.

Related OIG Work

[Oversight Weaknesses Limit FRA's Review, Approval, and Enforcement of Railroads' Drug and Alcohol Testing Programs](#) (April 29, 2020)

>> 4 recommendations (3 open, 1 closed)

[FMCSA's Plan Addresses Recommendations on Prioritizing Safety Interventions but Lacks Implementation Details](#) (September 25, 2019)

>> 2 recommendations (2 open, 0 closed)

[PHMSA Has Improved Its Workforce Management but Planning, Hiring, and Retention Challenges Remain](#) (November 21, 2017)

>> 3 recommendations (1 open, 2 closed)

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



AIR TRAFFIC CONTROL AND AIRSPACE MODERNIZATION

OAs Impacted
FAA

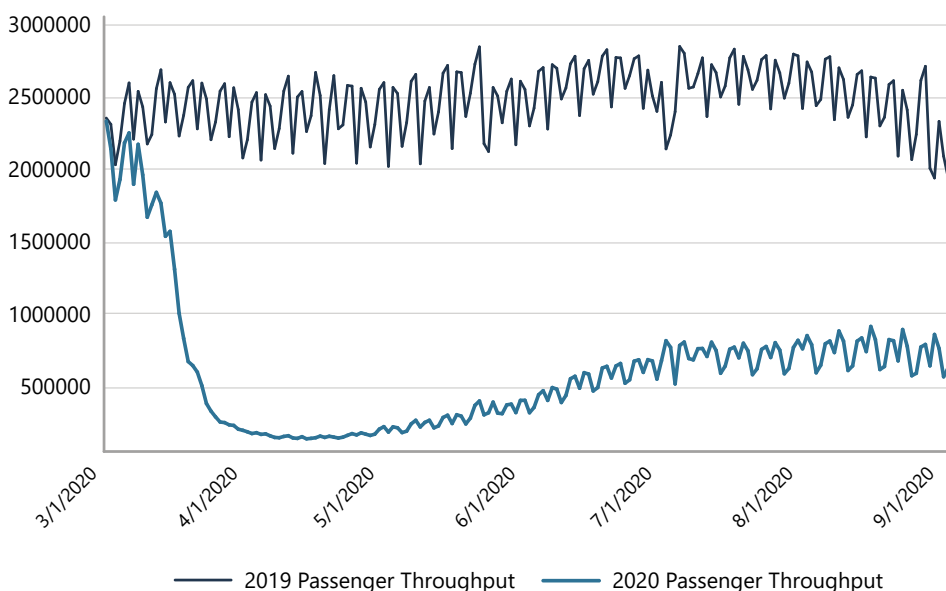
Related DOT Strategic Goals
Innovation, Accountability

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. 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. These challenges may be compounded in part by the ongoing impacts of the COVID-19 pandemic on the aviation industry.

Modernizing New Systems While Introducing New Capabilities

- The En Route Automation Modernization (ERAM) system is a foundational NextGen system that will improve the efficiency of the NAS by providing capabilities such as satellite-based navigation and high-altitude data communication systems. Air traffic controllers rely on ERAM to manage high-altitude flights at 20 air traffic control facilities nationwide. However, as we [recently reported](#), technical challenges and schedule delays have hindered FAA's efforts to replace ERAM's original computer hardware and modernize its system software. FAA expects that COVID-19 will further impact ERAM progress.
- FAA has integrated another key NextGen capability with ERAM—Data Communications (DataComm). DataComm provides two-way digital communications between controllers and flight crews, improving accuracy, efficiency, and safety. Last year, we reported that DataComm was scheduled to be implemented by the end of 2021 at the high-altitude en route centers. However, due to the impacts of the 2019 Government shutdown, latent air-to-ground interoperability issues, and the new challenge of COVID-19, that timeline has slipped to at least 2022. Currently, en route DataComm services are operational at three high-altitude en route centers. However, the deployment to the other 17 centers is now on hold.

Number of Domestic Passengers Traveling Through Transportation Security Agency (TSA) Checkpoints, 2019 vs. 2020



Source: OIG analysis of TSA passenger throughput data

CARES Act Considerations

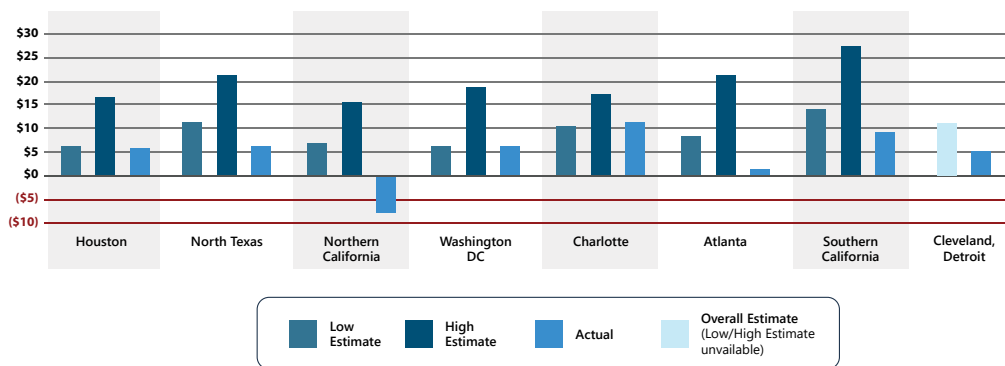
While the CARES Act does not directly relate to this issue, the COVID-19 pandemic has challenged FAA in certain areas:

- **NextGen.** Air traffic has significantly dropped. For example, the number of passengers declined by more than 90 percent in April 2020 when compared to the previous year (see figure). This drop in traffic will likely impact the timeline and amounts of NextGen projected benefits. FAA also expects the pandemic will delay efforts to modernize key systems.
- **Staffing at air traffic facilities.** After temporarily shutting down the Chicago Midway Tower in March 2020, FAA developed a cleaning regimen and is using existing contingency plans to cover air traffic operations at all facilities when needed.

Implementing New PBN Flight Procedures and Delivering Benefits to Airspace Users

- FAA's Metroplex program aims to implement performance-based navigation (PBN) to more efficiently manage air traffic in congested metropolitan areas. While FAA has implemented Metroplex at 8 of the 12 selected locations, the Agency does not expect to complete the remaining sites—Denver, Las Vegas, and South/Central Florida—until 2021, 4 years later than originally planned. (FAA canceled one of the 12 sites—Phoenix—due to ongoing lawsuits.)
- FAA still faces challenges with resolving key obstacles to PBN implementation, such as the lack of automated decision support tools for controllers, unclear terminology that pilots and controllers use to refer to flight paths, and the lengthy procedure amendment process.
- FAA and industry identified PBN as a NextGen priority due to its expected benefits to increase efficiency and reduce fuel costs. However, due to design and implementation challenges, Metroplex benefits to airspace users have fallen well short of predictions so far (see figure). In post-implementation reports, FAA estimated annual benefits of \$36.3 million, which is \$36.6 million (50.2 percent) less than the minimum amount initially expected.
- In our [2019 report](#), we made recommendations to improve FAA's efforts to resolve PBN obstacles and achieve benefits, including assessing the effectiveness of PBN training for air traffic controllers.

Estimated Annual Benefits at Metroplex Implementation Sites, Pre- and Post-Implementation (in Millions)



Source: OIG analysis of FAA data

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



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Recent Progress Reported by the Department

- **ERAM.** FAA continues to replace ERAM's original hardware at 20 sites and is working on a series of enhancements. Of the four OIG recommendations since 2018, FAA has taken action to close three and plans action for the fourth by December 2020.
- **Metroplex.** FAA has completed one additional Metroplex site for a total of eight since we last reported on this project in August 2019. FAA has taken appropriate steps to close three of the report's five recommendations.

Related OIG Work

[FAA Has Begun To Update ERAM but Faces Challenges Realizing Full Benefits for Airspace Users](#)
(July 29, 2020)

>> 1 recommendation (1 open, 0 closed)

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

>> 5 recommendations (2 open, 3 closed)

[FAA Has Taken Steps To Address ERAM Outages, but Some Vulnerabilities Remain](#)
(November 7, 2018)

>> 3 recommendations (2 open, 1 closed)

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

SURFACE TRANSPORTATION INFRASTRUCTURE

OAs Impacted
FHWA, FRA, FTA

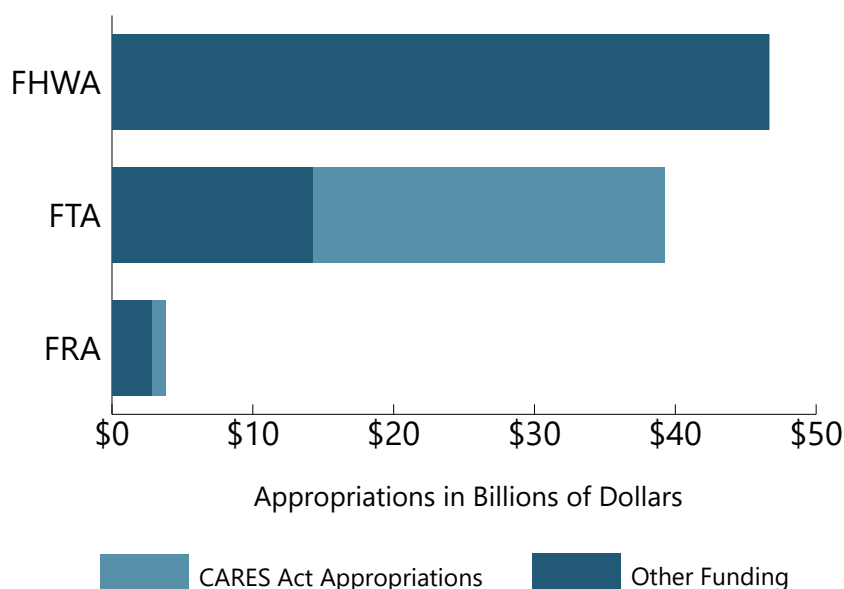
Related DOT Strategic Goals
Infrastructure and Accountability

DOT annually invests over \$60 billion through highway, transit, and railroad infrastructure programs that are vital to the American economy and our everyday lives. A significant challenge for DOT is to effectively manage these various programs and ensure that funded projects adhere to Federal requirements, including those funded by the CARES Act. Moreover, due to limited resources and evolving demands, DOT must ensure that States and other grantees use sound asset and performance management practices. These are critical to improve the condition of the Nation's infrastructure and address overall surface transportation needs cost effectively.

Enhancing Oversight of Surface Transportation Projects

- FHWA oversees over \$40 billion in annual Federal funds to construct and improve the Nation's highways. To be effective, the Agency must leverage its limited resources to implement its risk-based oversight process and ensure successful project delivery. In [May 2020](#), we reported that FHWA lacked effective guidance for assessing and documenting project risks and developing project oversight plans. We recommended that the Agency improve its guidance for risk-based project involvement.
- FRA needs to continue to strengthen oversight of the hundreds of millions of dollars it annually grants for railroad infrastructure projects. This includes ensuring the proper use of Federal funds and that projects achieve their intended goals. For example, we reported in [January 2020](#) that FRA missed opportunities to better assess and mitigate risks with the California High Speed Rail project, a project with a significant Federal investment.
- To better safeguard and manage risks with Federal disaster relief and infrastructure funds, FTA has opportunities to improve grantee oversight. As we reported in [October 2019](#), chief among them is to ensure that grantees carry flood insurance when required and appropriately use insurance proceeds for recovery projects in the aftermath of a disaster.

DOT Funding for Surface Transportation Agencies for FY2020, Including CARES Act Appropriations



Source: OIG analysis of DOT data

CARES Act Considerations

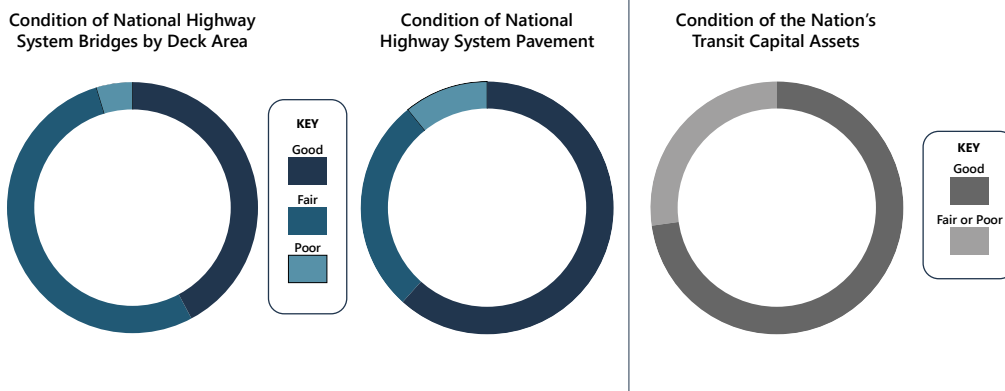
The CARES Act provides over \$26 billion in supplemental appropriations to surface transportation agencies to prevent, prepare for, and respond to COVID-19. These appropriations include \$25 billion to FTA and \$1 billion to FRA (see figure). To meet Federal requirements and mitigate the impact of COVID-19 on in-person oversight activities, DOT agencies need to adjust existing oversight mechanisms to carry out the act.

Additionally, losses in non-Federal revenues resulting from COVID-19 may delay higher priority projects or decrease States' and grantees' ability to perform oversight tasks, such as project reviews and other in-person operations.

Employing Effective Asset and Performance Management

- Billions of dollars are needed to tackle pressing infrastructure needs, including the nearly \$1 trillion backlog to maintain highway and transit assets. FHWA and FTA will be challenged to ensure that States and transit agencies effectively manage funds to strengthen decision-making and accountability. FHWA and FTA will also need to monitor progress that States and transit agencies make toward various national goals set by Congress, such as improving safety, providing system reliability, promoting environmental sustainability, and reducing project delivery delays. Another key priority is to maintain conditions in a state of good repair. As shown in the figure below, a significant percentage of the Nation's bridges, highways, and transit assets need improvement.
- In 2012, the Moving Ahead for Progress in the 21st Century Act (MAP-21) required the Department to develop performance measures. It also requires each State and transit agency to develop targets for asset condition and performance and asset management plans. In 2015, the Fixing America's Surface Transportation Act continued emphasizing MAP-21's performance management approach. DOT will need to apply sustained management attention to realize performance-based approaches and be prepared to effectively integrate any related changes in Congress's next reauthorization of surface transportation programs.

Condition of DOT's Surface Transportation Infrastructure



Note: The condition of transit assets, including vehicles, facilities, and track infrastructure, are assessed in different ways to a state of good repair benchmark. For transit assets, the percentage of "good" and "poor or fair" represent those that meet and do not meet the benchmark.

Source: OIG analysis of DOT data

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



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Recent Progress Reported by the Department

- FHWA is implementing nationwide improvements to its risk-based oversight approach and plans to complete actions on our related recommendations by December 31, 2021.
- In response to our 2020 recommendations, FRA is strengthening project and grant compliance policies and procedures by revising its guidance, project management tools, and monitoring procedures. FRA plans to implement these actions by December 15, 2020.
- FTA has committed to take actions to improve oversight of Hurricane Sandy grantees' compliance with insurance requirements in response to our recommendations by December 31, 2020.

Related OIG Work

[Gaps in FHWA's Guidance and the Florida Division's Process for Risk-Based Project Involvement May Limit Their Effectiveness](#)

(May 12, 2020)

>> 8 recommendations (8 open, 0 closed)

[Improved FRA Decision Making and Financial Oversight Processes Could Have Reduced Federal Risks from the California High-Speed Rail Project](#) (January 22, 2020)

>> 4 recommendations (4 open, 0 closed)

[FTA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk](#) (October 30, 2019)

>> 8 recommendations (7 open, 1 closed)

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



CONTRACT AND GRANT FUND STEWARDSHIP

OAs Impacted
Departmentwide

Related DOT Strategic Goals
Accountability

In fiscal year 2019, DOT obligated almost \$73.6 billion for contracts and grants to support its mission of ensuring our Nation has one of the world's safest, most efficient, and modern transportation systems. In addition to its annual funding for contracts and grants, the CARES Act provided the Department with an additional \$36 billion in fiscal year 2020 to distribute for COVID-19 pandemic relief (see figure). DOT must place sustained focus on its contract and grant awards and oversight to ensure these funds are efficiently and effectively spent for their intended purpose and result in the expected quality of services, products, and performance.

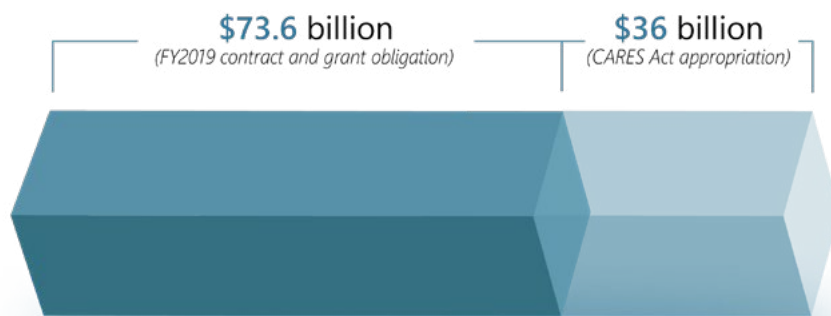
Awarding Pandemic Relief and Other DOT Contracts and Grants Efficiently, Effectively, and for Intended Purposes

- To achieve efficiency and effectiveness and realize the best value for taxpayers, DOT needs to promote competition to the extent practicable and verify fair and reasonable pricing before agency-funded contracts are awarded. This includes developing sound independent Government cost estimates, conducting price and/or cost analyses, and requiring adequate justification for single bids. Our past work—including oversight of FHWA's American Recovery and Reinvestment Act spending—found key deficiencies in these areas and identified billions in Federal funds at risk. [Recently](#), we assessed FAA's competitive award practices for major acquisition program contracts and recommended that FAA could put up to \$4.9 billion in Federal funds to better use by improving its ability to establish contract pricing that is fair, reasonable, and realistic.
- Our previous reviews of DOT and grantee contracting activities also identified issues with the qualifications and training of DOT staff who award funds, as well as recipient staff. Given the significant influx of CARES Act funding and the distinct rules associated with these funds, it is critical that DOT ensure that individuals making agency or recipient awards have the appropriate authority and training to ensure compliance with applicable laws and regulations and that funds are used for intended purposes.

CARES Act Considerations

The CARES Act appropriated \$25 billion to FTA, \$10 billion to FAA, and \$1 billion to FRA to prevent, prepare for, and respond to COVID-19. Most of these funds came with distinct requirements on how they can be used and with a mandate that DOT award them quickly. Our previous emergency and disaster response work demonstrates that providing clear guidance concerning eligibility, training, and focused oversight will be critical to support DOT's proper stewardship and accountability of these funds.

Contract and Grant Administration Burden Added by CARES Act 2020



Source: OIG analysis of DOT data

Enhancing Contract and Grant Management and Oversight To Achieve Desired Results and Compliance With Requirements

- The Department's large infusion of CARES Act funding comes on top of its already multibillion-dollar annual contract and grant spending. Thus, it is vital that DOT provide clear direction to contractors and grantees on the requirements surrounding the funding, including expected results. As a key part of this communication, DOT must tell grantees how they are required to document their expenditures.
- Our past work has found that DOT can do more to direct grantees to provide supporting documentation for their reimbursement requests and reviews to avoid improper payments and to ensure review recommendations are tracked and resolved. Finally, given the Department's limited resources, focusing its grant and contract oversight according to risk will be critical.

DOT Progress in Obligating CARES Act Appropriations as of September 28, 2020



Source: DOT

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Recent Progress Reported by the Department

- DOT is swiftly distributing the \$36 billion provided by the CARES Act (see figure). DOT reported that as of September 28, FTA had obligated over \$23 billion of the \$25 billion appropriated, FAA had obligated over \$9.3 billion of the \$10 billion appropriated, and FRA had obligated all \$1 billion appropriated.
- FAA has taken corrective actions to address five of our recommendations to improve compliance with Agency requirements relating to noncompetitive awards and reduce their overall use.

Related OIG Work

[FAA Competitive Award Practices Expose Its Major Program Contracts to Cost and Performance Risks](#)

(March 9, 2020)

>> 10 recommendation (10 open, 0 closed)

[FAA's Limited Oversight of Grantees' Compliance With Insurance Requirements Puts Federal Funds and Hurricane Sandy Insurance Proceeds at Risk](#)

(October 30, 2019)

>> 8 recommendations (7 open, 1 closed)

[FTA Has an Opportunity To Improve the Integrity Monitor Program for Hurricane Sandy Grantees](#)

(September 9, 2019)

>> 8 recommendations (7 open, 1 closed)

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



INFORMATION SECURITY

OAs Impacted
Departmentwide

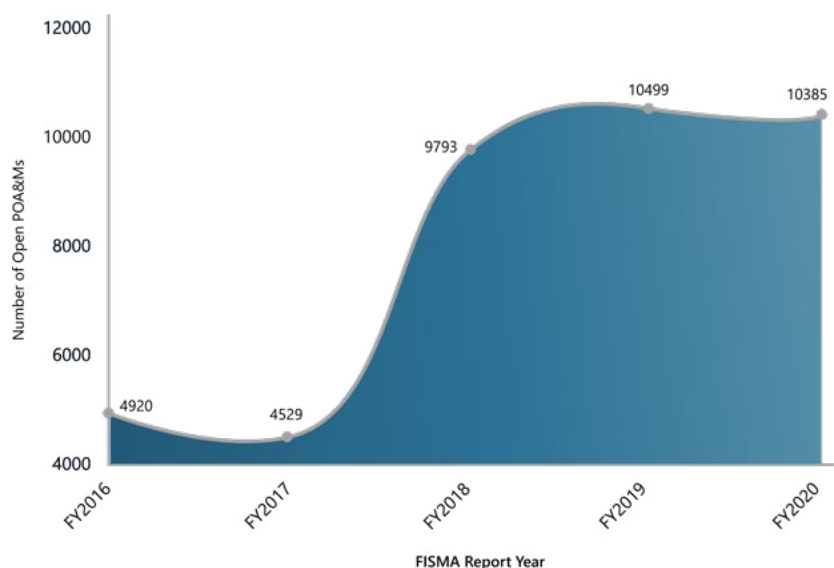
Related DOT Strategic Goals
Innovation, Accountability

DOT relies on over 450 information systems to carry out its mission, which includes safely managing air traffic control operations and administering billions of dollars. However, the Department faces challenges in strengthening oversight to address longstanding cybersecurity weaknesses. Addressing internal control weaknesses will be key to protect information and systems from attacks and other compromises that may pose risks to safety or taxpayer dollars, including DOT's large infusion of CARES Act funding. To better mitigate risks, DOT must also develop policy to validate the proper adoption and security of internet-based cloud computing services.

Addressing Longstanding Cybersecurity Weaknesses

- DOT must resolve the 51 open recommendations identified through our 2020 Federal Information Security Management Act (FISMA) audit. This includes addressing the risk associated with the 10,385 security weaknesses identified in DOT's plans of actions and milestones (POA&Ms; see figure). The Department did not enforce requirements with Operating Administrations regarding completing POA&Ms, including establishing target completion dates, monitoring progress, and ensuring timely remediation of weaknesses. [Last year](#), we also recommended that DOT better document the reasons for closing POA&Ms once they are complete.
- Since 2010, we have identified weaknesses in DOT's annual security training process. Initially, DOT's policies and procedures were not sufficiently developed to guide Operating Administrations in identifying, tracking, and validating contractors' required annual security training. DOT has yet to identify and implement automated tools to better track contractors and training requirements.
- Since 2011, we have also identified weaknesses in DOT's contingency planning. In [2019](#) we reported that DOT needed to work with the Operating Administrations' chief information officers to remediate identified weaknesses in contingency plans and Business Impact Analysis, such as missing information, lack of timely review, and inadequate approvals.

Total Number of Open POA&Ms* Departmentwide Since 2016



Source: OIG analysis of DOT data

*Open POA&Ms are security weaknesses that DOT has identified but not yet resolved, such as those discussed in this chapter.

CARES Act Considerations

- The Department uses multiple financial management information systems, such as DOT's Delphi and FTA's TrAMS, for processing and monitoring billions of dollars in CARES ACT grants, as well as distributing payments. Given the significant influx in funds and their rapid distribution, DOT must minimize the risk of compromise or outages of these systems.
- DOT will need to take steps to ensure the confidentiality, availability, and integrity of its financial management information systems to effectively manage and oversee these CARES Act funds.

Developing Departmentwide Policy To Validate the Proper Adoption and Security of Cloud Services

- Over the past decade, Federal agencies have increasingly used internet-based computing services (commonly referred to as cloud services) to address their information technology needs. DOT has begun adopting cloud computing for transportation management services across its various Operating Administrations. However, securing information stored in the cloud from cyberattacks poses significant challenges.
- Since 2015, DOT has yet to establish Federal Risk and Authorization Management Program (FedRAMP) compliance guidelines and oversight for the Department and ensure that each Operating Administration puts plans in place to meet FedRAMP requirements on how to securely adopt and manage the use of cloud services. FedRAMP is a Governmentwide program that provides a standardized approach to security assessment, authorization, and continuous monitoring for cloud-based services.
- Furthermore, several Operating Administrations employed cloud services but did not ensure the cloud providers adhered to FedRAMP requirements before authorizing them for use. According to DOT, the Department is not currently funded at a level to ensure that all cloud service providers in use are FedRAMP-authorized. The Department also does not have a complete inventory of cloud services authorized by each Operating Administration. Until DOT establishes and oversees these requirements, DOT's information and systems may face increased vulnerability to cyber attacks.

Recent Progress Reported by the Department

- In 2018, the DOT Office of the Chief Information Officer established a shared services initiative—Destinations DIGITAL—which focuses on streamlining commodity IT services so resources can be redirected to support DOT's mission.
- The purpose of Destinations DIGITAL is to prioritize safety, innovation, and infrastructure as the Department moves towards shared services.
- DOT has established nine goals associated with Destinations DIGITAL, such as delivering best-in-class IT service, optimizing administration and contracts, and advancing transportation cybersecurity.



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Related OIG Work

[FAA Lacks Sufficient Security Controls and Contingency Planning for Its DroneZone System](#)
(April 20, 2020)

>> 13 recommendation (13 open, 0 closed)

[Quality Control Review of the Independent Auditor's Report on DOT's Information Security Program and Practices](#)
(October 23, 2019)

>> 14 recommendations (12 open, 2 closed)

[FISMA 2018: DOT's Information Security Program and Practices](#)
(March 20, 2019)

>> 12 recommendations (12 open, 0 closed)

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



FINANCIAL MANAGEMENT

OAs Impacted
Departmentwide

Related DOT Strategic Goals
Accountability

The recent influx of new grant funding may present financial management challenges for the Department. On an annual basis, DOT typically disburses about \$82 billion in cash. With the CARES Act, DOT will have the potential to outlay \$118 billion—a 44-percent increase from the prior year (see figure). Although the Department has made progress in its financial management, such as reducing improper payments, DOT will now have to monitor significantly more grants and grantees to continue reducing improper payments and to comply with the Digital Accountability and Transparency Act (DATA Act), which requires agencies to improve reporting on spending.

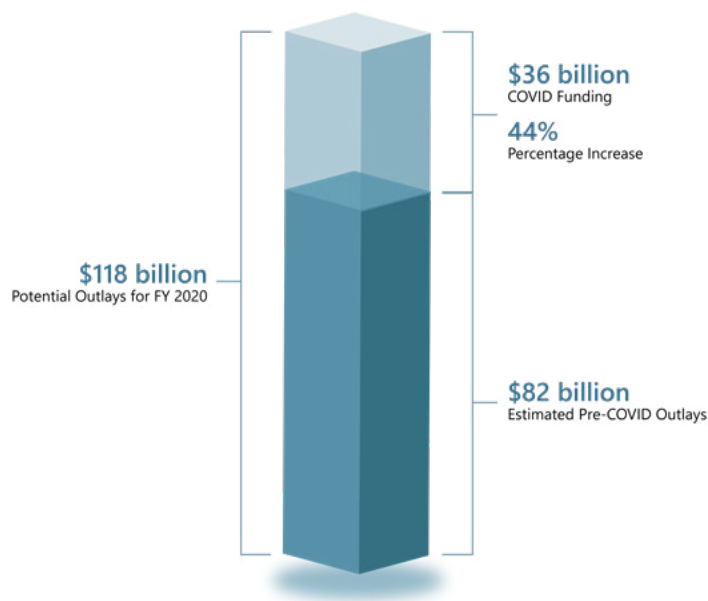
Strengthening Procedures To Monitor and Report Grantee Spending

- Ensuring that grantees properly report their spending is key to monitoring and overseeing Federal funds. The DATA Act establishes Governmentwide standards for financial data reporting and requires agencies to provide accurate and searchable data on grantee spending for policy makers and the public.
- Our [recent review](#) of DOT's implementation of the DATA Act found that although the quality of DOT's data was considered "higher," some required contract and grant award data were not submitted completely, accurately, or timely. For example, we reported that the Department of Treasury's DATA Act Broker system identified four errors that were not considered significant enough to prevent reporting but should be resolved for accuracy. To enhance oversight, we recommended that DOT implement a formal quarterly review process to ensure the Department investigates such errors and documents actions to address them.
- Handling the recent significant grant activity increase may result in a recurrence of related DATA Act reporting issues. To help mitigate risks and enhance accountability as DOT quickly disburses CARES Act funds, it will be critical to implement data quality procedures for improving DATA Act reporting.

CARES Act Considerations

- Grants are typically paid using cash, which has high inherent risk because of the potential of theft and misappropriation. This increase in cash and related transactions, resulting from the CARES Act, significantly augments this risk.
- The increased workload placed on staff who are processing these funds further increases this risk. For example, a supervisor who reviews transactions may need to review more transactions in less time, potentially diminishing review quality and increasing the risk of improper payments.

COVID-Related Increase in Outlays

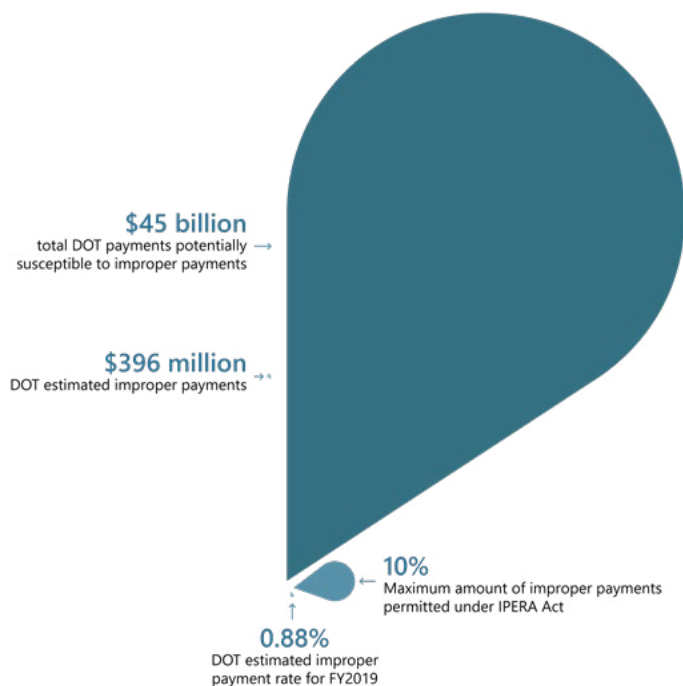


Source: OIG analysis of DOT data

Preventing an Increase in Improper Payments

- Detecting and avoiding improper payments is critical to ensure that grantees spend funds as intended and meet Federal requirements. The Improper Payments Elimination and Recovery Act (IPERA) requires agencies to report improper payment estimates for susceptible programs.
- We [recently reported](#) that the Department has successfully reduced its improper payment rates (on tested programs) to under 1 percent—well under the Office of Management and Budget’s target of 10 percent.
- However, the increase in grant-related transactions from the CARES Act without a matching increase in resources or processing time increases the risk of errors, particularly in controls that require human intervention, such as manually reviewing transactions.
- Strengthening DOT’s procedures will help reduce the risk of future improper payments. For example, after finding that an FHWA program was susceptible to improper payments, we recommended in April 2020 that FHWA develop a process to detect grantees who have not reduced improper payments within the last 3 years. We also recommended implementing procedures to review the root causes for those grantees’ improper payments to better implement effective corrective actions. These actions can help ensure DOT grant funds are put to their best use.

Improper Payments Identified in Our Fiscal Year 2019 IPERA Review



Source: OIG analysis of DOT data

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



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Recent Progress Reported by the Department

- The Department’s most recent DATA Act audit showed an improvement in DOT’s reporting. Although the audit noted some concerns, it found that DOT’s data quality was “higher.”
- Over the last decade, the Department has considerably improved its IPERA reporting results and is currently compliant with IPERA requirements.

Related OIG Work

[DOT’s Fiscal Year 2019](#)

[IPERA Compliance Review](#)

(April 27, 2020)

>> 2 recommendation (2 open, 0 closed)

[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](#)

(November 18, 2019)

>> 8 recommendations (8 open, 0 closed)

[Quality Control Review of the Independent Auditor’s Review of DOT’s DATA Act Implementation](#)

(October 29, 2019)

>> 4 recommendations (4 open, 0 closed)

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



INNOVATION AND THE FUTURE OF TRANSPORTATION

OAs Impacted

FAA, FHWA, FMCSA,
FRA, FTA, NHTSA

Related DOT Strategic Goals

Innovation, Safety

A top DOT priority is to guide the country into the future of transportation through innovation. Emerging technologies and innovative approaches to such areas as financing and project delivery will ultimately transform how DOT carries out its mission, shapes its workforce, and deploys resources. One immediate challenge is stewarding the fast pace and scope of emerging technologies in vehicle automation and Unmanned Aircraft Systems (UAS) as they are integrated into our Nation's transportation system. These technologies have the potential for long-term benefits but also pose new safety, oversight, and regulatory challenges.

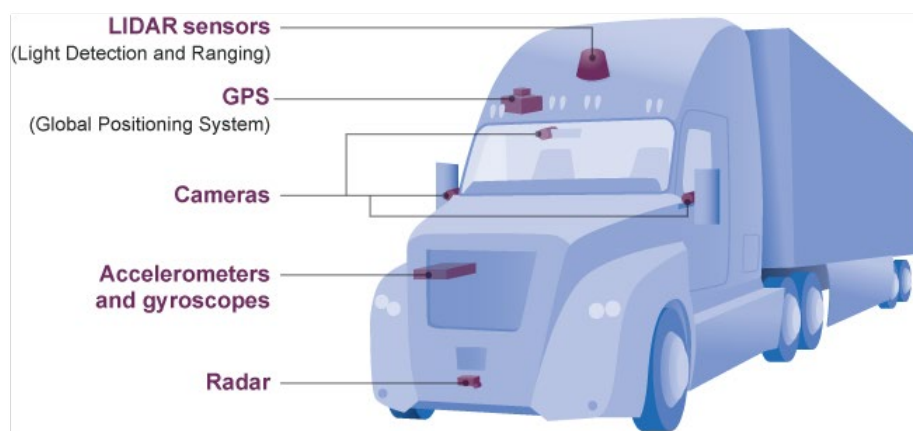
Adapting Oversight Approaches for Emerging Vehicle Automation Technologies

- DOT has developed proactive approaches and guidance related to automated vehicles. As the technology evolves, DOT will need to apply lessons learned and the results of new data analyses to integrate these systems safely into transportation networks.
- The Department will also face a significant challenge to develop standards and test new tools that might be necessary to oversee and regulate these emerging technologies.
- As these new technologies evolve, DOT will need to likewise assess and oversee the impact on surface infrastructure. This includes planning asset investments; implementing pilot programs and testing; and interfacing roads, traditional vehicles, pedestrians, and other road users with automated vehicles.
- While 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-everything technologies, much work remains to fully deploy the products of those collaborations. However, uncertainty remains regarding the availability of the 5.9GHz Safety Band, which is critical for successful deployment.

CARES Act Considerations

- While the CARES Act did not contain any specific funding for innovation initiatives, COVID-19 could have long-term effects on our transportation system, as some innovations may develop to address evolving needs. For example, perceived risks from human contact could increase demand for automated vehicles. Alternatively, as more employers embrace telework, ridership on both public transit and roads may decrease, stimulating demand for innovative financing approaches.
- The COVID-19 emergency has also increased the sense of urgency for FAA to approve integrated and expanded use of UAS (i.e., drones) into daily life, such as delivery of medical goods and supplies.

Examples of Automated Vehicle Technologies for Commercial Trucks



Source: [Government Accountability Office](#) (GAO Report No. GAO-19-161)

Ensuring the Safe Integration of UAS in the National Airspace System

- The demand for advanced UAS technology continues to climb. Since issuing a rule permitting small UAS operations in 2016, FAA has issued more than 4,000 waivers for operations that are restricted under the rule. However, while these types of operations, such as flying at night, are valued by industry, they are considered high-risk by FAA (see figure).
- We [reported](#) that obtaining waivers can be a lengthy process. FAA acknowledged the need for additional rulemaking on issues such as remote identification, which should accelerate approval of more complex operations, including package delivery and flying beyond line of sight. However, while the Agency plans to issue the final rule by the end of 2020, FAA is still addressing over 50,000 public comments on the Notice of Proposed Rulemaking.
- To accelerate safe UAS integration into the National Airspace System, FAA partnered with private and Government entities through the Integration Pilot Program. However, the 3-year program is set to end in October 2020, and FAA has not yet reported any lessons learned from this effort. According to the Department, the Secretary plans to submit a report to the President in January 2021. FAA faces challenges moving forward to create the new rules as well as the continued need to process waivers.

Small UAS Rule Provisions Subject to Waiver

Operations From a Moving Vehicle (§ 107.25)	Daylight Operation (§ 107.29)
Visual Line of Sight (§ 107.31)	Visual Observer (§ 107.33)
Operations of Multiple Small UAS (§ 107.35)	Yielding Right of Way (§ 107.37a)
Operations Over People (§ 107.39)	Operations in Certain Airspace (§ 107.41)
Maximum Ground Speed (§ 107.51a)	Maximum Altitude (§ 107.51b)
Minimum Flight Visibility (§ 107.51c)	Cloud Minimum (§ 107.51d)

Source: OIG analysis of Federal UAS regulations (14 CFR § 107.205, List of regulations subject to waiver)

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Recent Progress Reported by the Department

- In 2019, DOT launched the Non-Traditional and Emerging Transportation Technology (NETT) Council to identify and resolve jurisdictional and regulatory gaps for new technologies. In July 2020, the NETT Council released *Pathways to the Future of Transportation*, which sets forth a DOT framework for engaging emerging technologies and innovators.
- FAA published a Notice of Proposed Rulemaking for UAS Remote Identification in December 2019. FAA defines Remote ID as the ability of a UAS in flight to provide identification and location information that other parties can receive.
- Since 2014, we have closed all 25 of our UAS-related recommendations, including requiring UAS operator inspections and enhanced guidance.

Related OIG Work

[Opportunities Exist for FAA To Strengthen Its Review and Oversight Processes for Unmanned Aircraft System Waivers](#) (November 7, 2018)

>> 8 recommendations (0 open, 8 closed)

[FAA Lacks a Risk-Based Oversight Process for Civil Unmanned Aircraft Systems](#) (December 1, 2016)

>> 6 recommendations (0 open, 6 closed)

[FAA Faces Significant Barriers To Safely Integrate Unmanned Aircraft Systems Into the National Airspace System](#) (June 26, 2014)

>> 11 recommendations (0 open, 11 closed)

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

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

FISCAL YEAR 2020 TOP MANAGEMENT CHALLENGE	CHALLENGE AREA
Restoring Confidence in FAA's Aircraft Certification Process	Aviation Safety
Effectively Leveraging Collaboration and Enforcement in FAA's Evolving Air Carrier Safety Oversight Approach	Aviation Safety
Maximizing FAA's Airspace Modernization Investments and Ensuring New Capabilities Achieve Expected Benefits	Air Traffic Control and Airspace Modernization
Enhancing Oversight and Internal Controls To Address Longstanding Cybersecurity Vulnerabilities	Information Security
Maintaining and Enforcing Pipeline and Hazardous Materials Safety	Surface Transportation Safety
Enhancing Enforcement and Data Analysis To Reduce Commercial Vehicle-Related Fatalities	Surface Transportation Safety
Continuing National Efforts To Improve Railroad Safety	Surface Transportation Safety
Effectively Overseeing Billions in Surface Infrastructure Investments	Surface Transportation Infrastructure; Contract and Grant Fund Stewardship
Preparing for the Future of Transportation	Innovation and the Future of Transportation

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

Exhibit B. List of Acronyms

CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDL	commercial driver's license
COVID-19	Coronavirus Disease 2019
DATA Act	Digital Accountability and Transparency Act
DataComm	ERAM-Data Communications
DOT	Department of Transportation
ERAM	En Route Automation Modernization
FAA	Federal Aviation Administration
FedRAMP	Federal Risk and Authorization Management Program
FHWA	Federal Highway Administration
FISMA	Federal Information Security Management Act
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
IPERA	Improper Payments Elimination and Recovery Act
MAP-21	Moving Ahead for Progress in the 21st Century Act
NAS	National Airspace System
NETT	Non-Traditional and Emerging Transportation Technology Council
NextGen	Next Generation Air Transportation System
NHTSA	National Highway Traffic Safety Administration
OA	Operating Administration
OCIO	Office of the Chief Information Officer
OIG	Office of Inspector General
PBN	performance-based navigation
PHMSA	Pipeline and Hazardous Materials Safety Administration
POA&Ms	plans of actions and milestones
TrAMs	Transit Award Management System
TSA	Transportation Security Administration
UAS	Unmanned Aircraft Systems



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

Memorandum

10/08/20

Subject: INFORMATION: Management Response to the
Office of Inspector General (OIG) Draft Report:
DOT's Fiscal Year (FY) 2021 Top Management Challenges

John Kramer

From: John E. Kramer
Chief Financial Officer and
Assistant Secretary for Budget and Programs

To: Howard R. "Skip" Elliott Acting Inspector General

The OIG's FY 2021 Top Management Challenges report identified many of the risks for the Department of Transportation (DOT or Department) that DOT continues to address in pursuit of its mission of keeping America's transportation systems safe, even with the unprecedented challenges presented by the Coronavirus Disease 2019 (COVID-19) public health emergency. Safety is the core of DOT's mission and is always the Department's number one priority. The Nation's unparalleled safety record in transportation reflects the willingness to embrace hard lessons and to seek continuous improvement.

The Department is committed to aviation safety such as taking the necessary steps to ensure that the Unmanned Aircraft Systems (UAS) industry can integrate into the National Airspace System. DOT will enable the widest possible benefits for this system while still ensuring it meets the public's high safety expectations and addresses the needs of communities where they are employed. In addition, the Department transitioned the UAS Integrated Pilot Program to a new iteration that will challenge participants to solve barriers through scalable solutions suitable for regulations. Furthermore, FAA has developed a comprehensive action plan that addresses certification recommendations received by the agency through rulemaking, policy, staff, data, and external partnership efforts. The Joint Authorities Technical Review, commissioned by FAA, was the first review to be completed. This review included conducting a thorough assessment of the certification of the automated flight control system on the Boeing 737 MAX, which FAA led in collaboration with nine other civil aviation authorities.

The Department's efforts in enhancing surface transportation safety include the Federal Motor Carrier Safety Administration (FMCSA) hosting its 2020 Trucking Safety Summit virtually on August 5 to bring stakeholders to share ideas on improving trucking safety. The meeting brought together motor carriers, drivers, safety technology developers and users, Federal and State partners, and safety advocacy groups – as well members of the public to ensure safeguards and

protections are thoroughly vetted. This kind of continued collaborative interaction with the Department's stakeholders is a key to making greater strides in improving transportation safety.

The Department's determination to support innovation includes emerging technologies such as automated vehicle (AV) technology that has the potential to save thousands of lives every year, improving the quality of life through reduced traffic congestion and increased productivity. In January 2020, DOT released "AV 4.0 – Ensuring American Leadership in Automated Vehicle Technologies" unifying efforts across 38 Federal departments, independent agencies, commissions, and Executive Offices of the President. DOT continues to encourage development of better and safer transportation technologies. DOT is actively engaged to ensure the integration of AV technologies advances safety, mobility, and other important goals that will benefit the American People.

The Department's improvement in infrastructure includes the development and release of the first-ever National Freight Strategic Plan (NFSP) through a multi-agency effort involving extensive consultation with freight stakeholders in both the public and private sectors. The Department will use it to guide National freight policy, programs, initiatives, and investments. The Plan will also be used to inform State freight plans and identify freight data and research needs. The NFSP lays out a vision for long-term investments in infrastructure, the workforce, and other essential parts of the freight system. This plan provides a clear path to improve the safety, security, and resilience of the National freight system and details how the Department can modernize freight infrastructure and operations to grow the economy and increase competitiveness.

The Department continues to support investment in the Nation's infrastructure, while also providing thorough attention, accountability, and oversight of these investments. For example, in February 2020, DOT published a Notice of Funding Opportunity (NOFO) for applicants to apply for \$1 billion discretionary grant funding through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program. These grants are for planning and capital investments in surface transportation infrastructure and can support roads, bridges, transit, rail, ports or intermodal transportation. To address the needs of rural America, DOT intends to award 50 percent of BUILD Transportation grant funding to projects located in rural areas that deliver positive benefits for these communities, consistent with the Department's Rural Opportunities to Use Transportation for Economic Success (R.O.U.T.E.S.) Initiative to address disparities in rural transportation infrastructure to improve safety and economic competitiveness in all parts of the country. In addition, FAA recently rolled out FY 2020's last tranche of Airport Improvement Program (AIP) grant funding in September 2020 along with the announcement of a total of nearly \$1.2 billion in airport safety and infrastructure grants to 405 airports that will fund improvements of the Nation's airport infrastructure, enhance safety, and strengthen growth in local communities, which is especially important as the economy deals with the repercussions of the COVID-19 public health emergency.

To promote accountability, the Department continues to use standard best practices that include the internal controls necessary for prudently awarding, managing, and reporting on contracts, grants, loans, and other forms of assistance. By advanced planning and implementing the lessons learned from previous challenging situations, DOT continues to ensure that every dollar

spent is used to the maximum benefit of the taxpayer. With the enactment of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) on March 27, 2020, the Department received an additional \$37.1 billion to address the needs of selected transportation programs impacted by the COVID-19 public health emergency. The Department's work to make funds quickly available to grantees was very important in maintaining critical operations and employment in the vital transit, passenger rail, and airline industries. As of October 5, 2020, the Department has obligated 93 percent of its CARES Act funding. DOT continues to monitor funds, to ensure they are properly spent, and to report to the many stakeholders and oversight entities on how these funds were used.

We expect OIG 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.

U.S. DOT IG Fraud & Safety Hotline

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<https://www.oig.dot.gov/hotline>