



FUTURE STEPS

In FY 2004, transportation safety is, as before, the first priority of the Department of Transportation. For FY 2004, the President's budget request included \$54.3 billion for DOT. In addition, DOT also has several performance management and financial priorities for the upcoming fiscal year. Below are these initiatives with their corresponding budget request.

Another challenge for DOT is the reauthorization of its surface and aviation programs, which expire at the end of FY 2003. Congress has enacted a five-month extension of the Transportation Equity Act for the 21st Century through February 29, 2004. DOT looks forward to working with the Congress and the appropriate stakeholders during the reauthorization of these critical infrastructure programs.

Safety. DOT's top priority continues to be safety. A total of \$14.4 billion is requested for safety activities and initiatives for FY 2004.

Mobility. Another major DOT strategic priority is the free flow of passengers and goods. The FY 2004 budget requests \$35.7 billion to improve mobility.

Global Connectivity.

Environment. DOT's objective is to advance the benefits of transportation while minimizing the negative environmental impacts. The FY 2004 budget requests \$3.3 billion for environmental initiatives.

Security. DOT is committed to forming a solid partnership with the Department of Homeland Security. Transportation safety and transportation security are closely intertwined. DOT also provides much of the nation's strategic mobility. DOT's FY 2004 budget request contains \$631.9 million for homeland and national security.

Financial Systems. Delphi, DOT's modern financial systems initiative, is moving DOT away from the legacy system into an advanced financial systems environment. DOT fully implemented Delphi in all of its organizations in 2003.

Streamlining Financial Practices. Through the electronic transmission of data and information for both our internal processes (i.e., employee travel, salary payments, procurement), and our external processes (i.e., payments to grantees and vendors, etc.), we are making things easier and quicker for all of our customers and cutting administrative costs.

Management Challenges

The DOT Inspector General and the General Accounting Office have published reports describing a number of problems and challenges facing the Department. We take these issues seriously, and have folded our approach to meeting these challenges into our general efforts to achieve the outcomes we seek for the Nation. In general, where there is a DOT performance goal associated with a specific management challenge, we have included a discussion of the challenge on that goal page. Our financial measures and performance results are the focus of this Performance and Accountability Report. Successful and measurable transportation performance outcomes are our top priority. But how we achieve these results is also vitally important. The public entrusts us not only to improve transportation

safety and performance, but also to manage our resources and programs wisely. Management Challenges that DOT faces as we transition from FY 2003 to FY 2004 are: safety, infrastructure investments, fiscal discipline at FAA, fiscal capacity of intercity passenger rail, MARAD loan defaults, fraud oversight in the disadvantaged business enterprise program, better information technology management, and financial accountability. For financial accountability, DOT plans to better manage and audit FAA's cost reimbursable contracts. One hundred percent of the cost reimbursable FAA contracts need to be audited and 10 percent of the ones under \$100 million require audits. In FY 2003, FAA had audited about 30 percent of its contracts. There is an intergovernmental group that meets on a monthly basis to rectify the shortcomings in FAA's contracts. FHWA and FTA have funds that are in need of reconciliation, recovery, and deobligation. DOT is working to eliminate erroneous payments and keep better track of transactions with our vendors. Furthermore, the Operating Administrations are utilizing Delphi to strengthen their financial controls and help generate financial reports. All of DOT's Operating Administrations went through a conversion process from a legacy financial management system to Delphi and need to become familiar with the new financial system.

Financial Management Challenges

Early in FY 2004, DOT will complete one of our primary Financial Management goal: full conversion of the aforementioned legacy system, DAFIS, to a new DOT-wide Financial Management system, Delphi. Delphi is a non-customized, Oracle based federal financial commercial off-the-shelf (COTS) system that meets the Chief Financial Officer reporting requirements, provides a single accounting classification structure and enhances financial controls. This system is both standard general ledger (SGL) and Federal Managers Financial Integrity Act (FMFIA) compliant. As of October 2003, all of DOT's Operating Administrations (OAs) have converted from DOT's mainframe accounting system, DAFIS, and are in production on Delphi. The final OA to convert to Delphi, FAA, simultaneously converted to Delphi and implemented a Delphi-integrated procurement management system (PRISM). DOT has established an innovative program of Recovery Audits. The OAs have entered into a blanket purchase agreement with the Profit Recovery Group (PRG) to recover erroneous payments made to vendors. DOT plans to make better progress with tracking erroneous payments (see following table).

Cost Recovery for Erroneous Payments

As of September 27, 2003

Agency	Estimated Amt to audit	Overpayments recovered
FHWA	\$ 554,400,000.00	\$ 53,522.40
FAA	\$ 1,540,000,000.00	\$ 24,209.94
FTA	\$ 275,000,000.00	\$ 68,155.00
NHTSA	\$ 57,200,000.00	\$ -
OIG	\$ 5,500,000.00	\$ -
FMCSA	\$ 4,950,000.00	\$ -
VOLPE	\$ 4,400,000.00	\$ -
OST-WCF	\$ 82,500,000.00	\$ -
FRA	\$ 57,200,000.00	\$ 8,341.36
RSPA	\$ 3,850,000.00	\$ -

MARAD	\$ 2,750,000.00	\$ -
OST	\$ 1,100,000.00	\$ -
BTS	\$ 550,000.00	\$ -
DOT	\$ 2,589,400,000.00	\$ 154,228.70
Totals	\$ 2,589,400,000.00	\$ 154,228.70

Federal Highway Administration: Highway Planning and Construction

The Federal Highway Administration has reviewed its program payments for fiscal year 2003. Based on its review, program payments totaled \$ 30,943,410,122.00 for the Fiscal Year. The agency identified total improper payments of \$1,351,800.46, which is 0.0044% of total program payments. All erroneous payments have been recovered, except for the \$22,465.43. We are in the process of recovering the \$22,465.43 erroneous payment.

Program: Highway Planning and Construction	2003 Dollars	2003 Rate
Total Payments	\$ 30,943,410,122	100.00%
Underpayments	0.00%	0.00%
Overpayments	\$1,351,800.46	0.0044%
Number of Erroneous Payments	113	

Federal Aviation Administration (FAA) - Airport Improvement Program

Since 2001, FAA has been required to report on grant payments paid erroneously under the Airport Improvement Program (AIP). Based on FAA's reviews, the estimated rates of erroneous payments have been insignificant and below minimum thresholds established by OMB. These are high dollar amounts/low volume payments, paid to grantees that are primarily states and political subdivisions. In FY 2001, when an estimated 2,000 grants were issued to approximately 1,500 grant recipients, 0.05% of payments were paid erroneously, amounting to \$349,000 of the \$3.35 billion paid in grants. In FY 2002, FAA had an erroneous payment rate of 0.06%, amounting to \$766,000 of the \$3.33 billion paid out in grants. In FY 2003, \$3.89 billion was paid in grants. Forty-seven out of 29,830 payments, (0.16%) were erroneously paid, amounting to \$14 million. Out of the 47 erroneous payments, 19 payments (one paid manually, and 18 paid through an automated grant payment system), were payments made from one accounting office and paid erroneously because grantees charged the wrong project or grant number. Once the error was realized, the funds were deposited back to the system.

Federal Transit Administration (FTA) - Capital Investment and Formula Programs

The Federal Transit Administration (FTA) reviewed and analyzed their Electronic Clearing House Operation (ECHO) grant activity for fiscal year 2003. ECHO disbursements were reviewed to determine total program activity for the capital investment and formula programs. Adjustments made in ECHO to prior program disbursements, which are representative of improper payments, were also categorized and summed by the capital investment and formula programs. The adjustments were then compared to the corresponding total program activity to determine if any improper payment equaled or exceeded 2.5% of program activity, as to be identified as significant.

No significant improper payments were identified for either the capital investment or formula program. For the capital investment program, total grantee adjustments processed in ECHO equaled \$32 million and capital investment program activity for FY03 totaled \$2.8 billion. Total adjustments comprised 1.12% of total program activity and no one grantee's corrections exceeded .16% of total program activities. For the formula program, total grantee improper payments equaled \$64 million and formula program activity for FY03 totaled \$4.5 billion. Total corrections comprised 1.14% of total program activity and no one grantee's corrections exceeded .21% of total formula activities.

Program	Total Program Activity	Total Adjustmt.	% of Adjustmt. to Program Activity
Capital Investment	\$ 2,895,298,534	\$ 32,563,055	1.12%
Formula	\$ 4,546,016,895	\$ 64, 221,356	1.41%

Outlays and Accruals Linked to Performance Measures DOT links costs (i.e., accruals plus outlays) to strategic performance areas illustrating accountability of dollars spent on its projects in the following pages. (To be posted)