The John A. Volpe National Transportation Systems Center (Volpe) serves as an internal resource for research, development, testing, evaluation, analysis, and related activities for the Department of Transportation (DOT) and its Operating Administrations (OAs). A component of DOT’s Office of the Assistant Secretary for Research and Technology, Volpe also provides its expertise to other Federal agencies, State and local governments, private organizations, and foreign countries. Staffed by 600 Federal workers and more than 400 onsite contractors, Volpe’s activities are financed through its working capital fund governed by 49 U.S.C. 328,¹ which provides specific statutory authority for Federal agencies to enter into agreements with Volpe. Between fiscal years 2015 and 2017, the Department and its OAs obtained services from Volpe through 1,031 intra-agency agreements² (IAAs) totaling $865.8 million.

In 2006, DOT established its Financial Management Policies Manual to provide a single, authoritative source for departmental and accounting policies, including

¹ The Volpe Working Capital Fund (WCF) is a fee-for-service, self-sustaining, intra-governmental revolving fund. Under its provisions, funds are available without regard to fiscal year, with some exceptions. However, while the period of availability of Volpe's WCF funds is not limited by fiscal year, the period of performance for IAAs with Volpe, including all modifications, cannot exceed 5 years.

² An agreement whereby an OA obtains or provides needed supplies or services, from, to, or through another OA in exchange for payment or reimbursement from available funds. An IAA serves as the bilateral agreement to obligate customer funds and describes work to be performed. All intra-agency agreements must be authorized by law.
guidance on establishing and funding all IAAs.³ Between 2007 and 2008, the Department set forth additional guidelines for IAAs with Volpe.⁴ Those guidelines include a requirement for each OA and the Office of the Secretary of Transportation to establish internal procedures for reviewing and approving IAAs with Volpe, financial management requirements for IAAs, and a suggested checklist for use when processing IAAs. In 2010, the Department issued a memorandum that noted inconsistencies among the OAs’ IAAs and reiterated its existing policy.⁵ Moreover, recent OIG audits have identified weaknesses in either departmental or OA management of projects involving Volpe.⁶

Given prior departmental concerns about inconsistencies among DOT’s IAAs and the findings from recent OIG audits, we are initiating this audit to assess the Department’s and the OAs’ policies and procedures for (1) entering into IAAs with Volpe and (2) overseeing the deliverables and expenditure of funds for those IAAs.

We plan to begin this work later this month and will contact your audit liaison to schedule an entrance conference. If you have any questions or need additional information, please contact me at 202-366-5225 or Darren Murphy, Program Director, at 206-255-1929.

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cc: DOT Audit Liaison, M-1

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