

**Before the Committee on Oversight and Government Reform
United States House of Representatives**

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Top Ten OIG Recommendations for the U.S. Department of Transportation

**Statement of
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Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to discuss opportunities for maximizing efficiency at the Department of Transportation (DOT). Each year, we recommend hundreds of actions aimed at improving the conduct of the Department's programs and operations, and the Department has worked diligently to implement the majority of our recommendations. To ensure recommendations are implemented in a timely manner, we monitor their status and, as required by law, report semiannually on recommendations that remain open¹—that is, those that have yet to be fully implemented and documented. Periodically, Congress also asks us to identify open recommendations that we consider high priority. Most recently, you requested that we identify and report our 10 highest priority open recommendations in the near and long term.² In making this determination, we considered several criteria, including dollar implications; documented vulnerabilities; impact on safety, economy, or efficiency; and the ability of the Department to effect change.

The open recommendations we identified as the highest priority were made between January 2010 and October 2012 in 10 separate reports and cut across the Department and its agencies. The highest priority open recommendations also align with the Department's top management challenges that we identified and reported last November (see exhibit). My statement today will focus on how these recommendations impact the Department's ability to (1) ensure effective stewardship of the Department's resources; (2) effectively implement transportation infrastructure programs while protecting investments in these programs; and (3) enhance aviation and surface safety.

SUMMARY

Three of the highest priority open recommendations that we reported in December 2012 aim to ensure effective stewardship of the Department's resources. While DOT has received a clean opinion on its financial statements 5 straight years, longstanding weaknesses in grants management and information technology (IT) procurement and security have limited DOT's ability to maximize its return on investments. We recommended that DOT conduct quarterly reviews of inactive grant projects to ensure inactive obligations are liquidated in a timely manner. In July 2012, DOT initiated a 60-day effort to deobligate inactive undelivered orders, which resulted in \$2.1 billion in funds being re-assigned to current projects. We also recommended that DOT develop or revise its IT enterprise architecture (EA) policy and procedures to realize cost savings, reduce duplication of systems, and strengthen IT security through multifactor identity authentication for all DOT employees and contractors. DOT plans to develop an

¹ Inspector General Act of 1978, 5 U.S.C. App 3, as amended by the Inspector General Act Amendments of 1988, Pub. L. No. 100-504.

² We looked at 637 recommendations included in 217 audit reports issued between September 2004 and November 2012 that remained open as of December 10, 2012.

overarching EA policy by May 2013 and to fully implement an authentication mechanism by fiscal year 2016.

Half of the highest priority recommendations we identified concern DOT's implementation of critical air and surface transportation infrastructure programs and the need to protect significant investments in these programs. The Department is working to address numerous challenges we have identified with the Federal Aviation Administration's (FAA) implementation of the Next Generation Air Transportation System (NextGen)—a complex, multibillion-dollar effort to modernize the U.S. air traffic control system. To ensure the program delivers promised benefits that represent sound investments, we recommended that FAA (1) establish an integrated master schedule for implementing NextGen's foundational technology and infrastructure programs, which it is currently working on, and (2) ensure cost estimates for realigning and consolidating the Nation's network of manned air traffic control facilities are comprehensive and regularly updated. The Department is also working to address three recommendations we made to maximize its surface infrastructure investments. Specifically, we recommended that the Federal Highway Administration (FHWA) implement a data-driven, risk-based approach for reviewing and revising DOT and State agreements for overseeing about \$40 billion in highway funds provided annually to States, and report regularly on States' efforts to improve the condition of the Nation's more than 140,000 deficient bridges.³ We also recommended that the Federal Railroad Administration (FRA) complete a National Rail Plan (NRP), with measurable performance goals and clear stakeholder roles, which would ultimately help ensure its \$10 billion high-speed intercity passenger rail grant program supports national policy goals.

The last two highest priority open recommendations we identified have implications for DOT's number one priority—safety. While the Department's commitment to safety is clear, DOT continues to face challenges to fine-tune how it collects, verifies, and uses safety data and to bolster its oversight of aircraft maintenance, inspector resources, and pilot performance and training. Our recommendation that FAA collect and analyze information on pilot domicile and commuting to better target solutions to reduce pilot fatigue remains open and is one of our highest priority recommendations for the Department to address in the short term. FAA agreed to conduct a “scan of available data” on pilot commuting and to determine whether additional data could offer significant safety benefits. In terms of surface safety, the Department has taken action to remove unsafe commercial drivers and carriers from roadways. However, the Federal Motor Carrier Safety Administration (FMCSA) has yet to implement our April 2012 recommendation to publish a final rule on passenger carrier leasing with requirements comparable to those for property carriers.

³ Deficient bridges are classified as structurally deficient—the bridge deck, superstructure, or substructure is in poor or worse condition or functionally obsolete—because the geometry of the bridge is no longer suitable for the traffic it serves.

BACKGROUND

As of February 21, 2013, 555 recommendations included in 191 audit reports issued between September 2004 and February 14, 2013, remained open—that is, the Department or agency has yet to fully implement proposed actions or to provide us with supporting documentation of their implementation. The Department and its agencies frequently concur with our recommended actions and work with us to ensure recommendations are implemented in a timely manner. Some recommendations, however, remain open for an extended period for various reasons, such as the complexity and magnitude of the recommendation and the number of actions required to implement the recommendation. In some cases, recommendations remain open because the Department or agency does not concur with our recommended actions. In these cases, we work with the Department or agency to seek alternative actions that meet the intent of our recommendation.

The Office of Inspector General (OIG) systematically tracks all recommendations on all audit reports until final action has been taken, and maintains a database of related information such as the target and actual completion dates of corrective actions, and the amount of costs questioned or estimated dollar benefits associated with each recommendation. As required by law, we report this information semiannually to Congress. The Department has also established a system for tracking open OIG recommendations and provides monthly reports to audit managers or groups on their status, identifying those that are highest priority.

In addition to reporting semiannually on the status of our recommendations, we report annually on the top management challenges facing the Department, as required by Congress and the Office of Management and Budget (OMB). Our 2013 Top Management Challenges report identified actions that DOT should take to address its top priority of transportation safety and maximize its investments to maintain and modernize transportation.

Over the past several years, Congress has also requested that we identify our highest priority open recommendations. Most recently, this Committee asked us to identify our highest priority open recommendations—five short-term and five long-term—which we reported on December 21, 2012. To identify these 10 open recommendations, we established criteria consistent with the Inspector General Act to promote economy and efficiency in the administration of Department programs and operations, and the Department's safety mission. Specifically, for each recommendation, we considered the potential impact on safety, economy, and efficiency; the documented vulnerabilities and dollar implications; and the Department's ability to effect change within a short timeframe. We also refer to the top management challenges facing the Department and our work plans and strategies. As the Department changes its priorities, we reevaluate our criteria and adjust them accordingly.

ENSURING EFFECTIVE STEWARDSHIP OF THE DEPARTMENT'S RESOURCES

Rigorous stewardship of taxpayer funds is an intrinsic mandate for any government body. Over the past 5 years, the Department has successfully maintained a clean opinion on its financial statements—a positive step towards good financial management. However, longstanding weaknesses in grants management and IT procurement and security have limited DOT's ability to maximize its return on investment.

In November 2011, we reported that idle funds from undelivered orders under inactive grants could free up approximately \$1.4 billion for DOT agencies to use for other transportation infrastructure improvement projects and create jobs. Accordingly, we recommended that quarterly inactive project reviews be conducted to ascertain that inactive obligations—with particular attention to those that are tied to stagnant or closed projects—are liquidated in a timely manner. In July 2012, DOT initiated a 60-day, resource-intensive remediation effort to identify and deobligate inactive undelivered orders, which resulted in the liquidation of \$2.1 billion—funds that were re-assigned to current projects. For fiscal year 2013, DOT plans to issue a policy requiring agencies to perform quarterly reviews and annual certifications of obligation balances and train personnel who handle them. Implementing this recommendation will help the Department begin correcting a persistent, systemic problem with unliquidated obligations.

DOT also has the opportunity to maximize its investments in IT. Each year, DOT spends approximately \$3 billion on its IT systems—one of the largest IT investments in the Federal Government. However, as we reported in April 2012, the Department lacks an EA to align IT investments with its mission, reduce duplicative systems, effectively spend information security funds, and realize cost savings. DOT concurred with our recommendation to develop or revise its EA policy and procedures, and plans to develop an overarching EA policy by May 2013. However, DOT indicated that it would need funding to implement the policy and would commit to a completion date when funding becomes available.

DOT also concurred with our long-term recommendation to implement the use of personal identity verification (PIV) cards as the primary authentication mechanism for all DOT employees and contractors. OMB required all Federal personnel to use by 2012 PIV cards to log on to agency computers for multifactor user identity authentication. Issuing PIV cards to all Department personnel, including contractors, is a time-consuming, costly, and logistically complex endeavor. As of June 2012, only 42 percent of DOT's systems were enabled for user logon with PIVs, and only 7 percent used PIV for identity authentication. DOT designated PIV card deployment for authentication as one of its top cybersecurity priorities for fiscal year 2013 and plans to implement our recommendation by fiscal year 2016.

EFFECTIVELY IMPLEMENTING TRANSPORTATION INFRASTRUCTURE PROGRAMS WHILE PROTECTING INVESTMENTS IN THESE PROGRAMS

Global and domestic travel are projected to significantly increase demand on the Nation's transportation system, creating considerable challenges for the Department to improve airspace and surface infrastructure. A key concern is FAA's implementation of NextGen, a highly complex, multibillion-dollar effort to modernize the U.S. air traffic control system. The Department is working hard to address numerous challenges we have identified over the years, but several challenges remain to ensure the program delivers promised benefits that represent sound investments of taxpayer dollars.

Two of the highest priority open recommendations relate to NextGen's development and implementation, which currently involve a \$1 billion annual investment:

- In April 2012, we recommended that FAA establish an integrated master schedule for implementing the six programs that will provide NextGen's foundational technologies and infrastructure.⁴ A master schedule, with timelines and completion dates, would better coordinate these programs' capabilities—many of which are interdependent. Without a master schedule, the agency will be challenged to (1) fully address operational, technical, and programmatic risks; (2) prioritize and make informed tradeoffs for programs' costs and schedules; and (3) determine what capabilities should be delivered first to provide users with the greatest benefits. FAA is currently working on the integrated master schedule.
- In July 2012, we recommended that FAA develop comprehensive and regularly updated cost estimates for its effort to realign and consolidate the Nation's network of manned air traffic control facilities into centralized locations—a critical step in implementing NextGen and replacing the Nation's aging air traffic infrastructure. The effort, which FAA estimated would cost in the billions of dollars, would have impacted facilities across the National Airspace System with respect to cost, technical challenges, and the aviation workforce. FAA concurred with our recommendation but has since scaled back its plans and will focus only on an integrated facility in the New York metropolitan area. FAA expects to provide a detailed cost estimate by December 31, 2014; but to completely implement our recommendation, FAA will need to produce detailed financial information for Congress and other stakeholders regarding its longer term plans for facility realignments and consolidations.

⁴ These six programs are Automatic Dependent Surveillance-Broadcast, System Wide Information Management, Data Communications, NextGen Network Enabled Weather, NAS Voice System, and Collaborative Air Traffic Management Technologies.

At the same time, the Department faces challenges maximizing its investments in highway, bridge, and rail infrastructures through effective grant oversight and planning. Closing three open recommendations that we identified as highest priority would help address these challenges.

- Federal law requires DOT and States to enter into stewardship and oversight agreements that establish Federal and State responsibilities for overseeing about \$40 billion in highway funds provided annually to States. While FHWA fulfilled the statutory mandate to enter into these with each State, the agreements do not consistently reflect Federal requirements or program risks and priorities that FHWA has identified and communicated to its Division Offices. Accordingly, we recommended in October 2012 that FHWA implement a coordinated and effective data-driven, risk-based approach for Division Offices and Directors of Field Services to review agreements annually and make timely revisions, when appropriate. FHWA initially planned to implement this recommendation and others from our report through its Program of Oversight Initiatives—oversight planning performed by its Division Offices. However, FHWA recently informed us that it now plans to align its approach for reviewing stewardship and oversight agreements with its risk management process, an action it plans to implement in June 2013. We are currently reviewing FHWA’s plans.
- FHWA estimates that almost one-fourth of the Nation’s more than 600,000 bridges have major deterioration, structural cracks, or other deficiencies. Given the limited funding to address these deficiencies, we have reported since 2006 the need to improve the quality of inspection data and implement data-driven, risk-based oversight of States’ bridge programs. In January 2010, we recommended that FHWA report regularly to internal and external stakeholders on the effectiveness of States’ efforts to improve the condition of the Nation’s deficient bridges based on the analysis of Highway Bridge Program expenditure data and an evaluation of progress made in achieving performance targets. Such action will also be critical to help FHWA meet new requirements for more performance-based management of highway bridges in the Moving Ahead for Progress in the 21st Century Act.⁵ DOT agreed to develop a new template by the end of 2013 to report on States’ efforts to address deficient bridges and to take steps by 2015 to enhance the level of detail reported on bridge conditions.
- One of the Department’s most ambitious and costly mandates is to develop a national high-speed rail system, with an initial down payment of \$10 billion. The Passenger Rail Investment and Improvement Act of 2008⁶ calls for FRA to develop an NRP to provide a framework for the integration of passenger and freight rail across the country so that public and private stakeholders understand their roles in developing

⁵ Moving Ahead for Progress in the 21st Century Act (MAP-21), Pub. L. No. 112-141 (2012).

⁶ Passenger Rail Investment and Improvement Act of 2008 (PRIIA), Pub. L. No. 110-43.

services and can invest with certainty. When complete, the NRP will also identify specific interstate corridor goals and measures of success. Delays in establishing the NRP could result in FRA investing billions of dollars in Federal grant funds without assurance that these efforts support national policy goals, and stakeholders could remain reluctant to commit. We recommended that FRA complete an NPR that includes measurable performance goals and clear stakeholder roles. FRA currently expects to complete the plan by June 2014.

ENHANCING AIR AND SURFACE SAFETY

Enhancing aviation and surface safety continues to be the Department's overarching priority. This past year, the Department has made important progress toward meeting new airline safety regulations to advance air carriers' voluntary safety programs and improve pilot rest requirements. Despite this progress, the Department continues to face challenges to fine-tune how it collects, verifies, and uses safety data and to bolster its oversight of aircraft maintenance, inspector resources, and pilot performance and training.

According to the Air Line Pilots Association, roughly 60 percent of its pilots are commuters.⁷ Our recommendation that FAA collect and analyze information on pilot domicile and commuting to better target solutions to reduce pilot fatigue—a longstanding concern that has been linked to air-related fatalities—remains open and is one of our highest priority recommendations for the Department to address in the short term. FAA agreed to conduct a “scan of available data” on pilot commuting and to determine whether additional data could offer significant safety benefits. According to FAA, the Agency planned to complete this work by February 2013. However, we are currently awaiting its response to our request for a status update.

In terms of surface safety, the Department has taken actions to remove unsafe commercial drivers and carriers from roadways. However, FMCSA has yet to implement our April 2012 recommendation to publish a final rule on passenger carrier leasing with requirements comparable to those for property carriers. This recommendation is similar to one made by the National Transportation Safety Board (NTSB) following its investigation of a fatal bus crash in 2008. NTSB determined the bus company was, in effect, shielded from FMCSA oversight because of a lease agreement with another company. FMCSA concurred with our recommendation and plans to issue a proposed rule in 2013.

⁷ Commuting is a common aviation industry practice as pilots are not required to live within close proximity of their assigned duty locations. Many pilots reside hundreds or thousands of miles from their duty locations, and their commutes frequently involve cross-country air travel. For example, the National Transportation Safety Board's Colgan investigation revealed that out of 136 Newark-based Colgan pilots, 49 (36 percent) had commutes of at least 400 miles, with some commuting from States such as California, Nevada, and Washington.

CONCLUSION

OIG is steadfast in its commitment to ensuring DOT achieves the highest return on the Nation's substantial transportation investments. As part of this commitment, we keep a close eye on the recommendations we make to improve Department programs and operations—particularly those of the highest priority—and work with the Department to ensure recommended actions are fully implemented as expeditiously as possible. We believe the Department shares this commitment with us, as evidenced by its many actions, cooperation with our office, and monthly reporting on the status of our recommendations. We will continue to work with you, Mr. Chairman; the Department; and other key stakeholders to protect taxpayer dollars as we assist the Department in providing the American people with safe and modern air, highway, rail, and pipeline systems.

Mr. Chairman, this concludes my prepared statement. I am happy to answer any questions you or other Committee members may have.

EXHIBIT. OIG OPEN RECOMMENDATIONS AS THEY RELATE TO THE DEPARTMENT'S TOP MANAGEMENT CHALLENGES

Ensuring the Next Generation Air Transportation System Advances Safety and Air Travel

FAA	Establish an integrated master schedule framework, policy, and standard operating procedures that include the Segmented Implementation Plan and transformational programs, and a timeline for maturing this capability.	<i>Status of Transformational Programs and Risks to Achieving NextGen Goals</i> , AV-2012-094, April 2012
FAA	To assist FAA in achieving a successful air traffic facility realignment and consolidation plan, the Agency should develop comprehensive and regularly updated cost estimates that include, at a minimum, estimates for construction, equipment, increased salaries, relocation expenses, and training.	<i>The Success of FAA's Long-Term Plan for Air Traffic Facility Realignments and Consolidations Depends on Addressing Key Technical, Financial, and Workforce Challenges</i> , AV-2012-151, July 2012

Enhancing FAA's Oversight and Use of Data To Identify and Mitigate Safety Risks

FAA	Ensure the collection and analysis of data regarding domicile and commuting length for all Part 121 flight crews. Specifically, information regarding the number of pilots and other flight-crewmembers who commute, their methods of transportation, and the distances they commute, should be collected.	<i>FAA and Industry Are Taking Action To Address Pilot Fatigue, but More Information on Pilot Commuting Is Needed</i> , AV-2011-176, September 2011
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Strengthening Existing Surface Safety Programs and Effectively Implementing New Safety Requirements

FMCSA	Publish a final rule on passenger carrier leasing with requirements similar to those for property carriers.	<i>Timely and Targeted FMCSA Action Is Needed To Fully Address NTSB Recommendations for Improving Passenger Carrier Oversight</i> , MH-2012-087, April 2012
FHWA	Report regularly to internal and external stakeholders on the effectiveness of States' efforts to improve the condition of the Nation's deficient bridges based on the analysis of Highway Bridge Program expenditure data and an evaluation of progress made in achieving performance targets.	<i>Assessment of FHWA Oversight of the Highway Bridge Program and the National Bridge Inspection Program</i> , MH-2010-039, January 2010

Maximizing Surface Infrastructure Investments With Effective Program Oversight and Execution of New Legislative Requirements

FHWA	Implement a coordinated and effective data-driven, risk-based approach for Division Offices and Directors of Field Services to review agreements annually and make timely revisions, when appropriate.	<i>Improvements to Stewardship and Oversight Agreements Are Needed To Enhance Federal-Aid Highway Program Management</i> , MH-2013-001, October 2012
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Adequately Overseeing Administration of High-Speed Intercity Passenger Rail Grant Funds

FRA	Complete the National Rail Plan and include in it measurable performance goals and clear stakeholder roles.	<i>FRA Has Made Progress in Implementing PRIIA Responsibilities, but Challenges for Long-Term HSIPR Remain, CR-2012-072, March 2012</i>
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Strengthening Financial Management Over Grants To Better Use Funds, Create Jobs, and Improve Infrastructure

DOT	Clifton Gunderson recommended that DOT management ensure that Operating Administrations perform the quarterly inactive project reviews to ascertain that inactive obligations are liquidated in a timely manner throughout the year. Particular attention should be paid to stagnant or closed projects.	<i>Quality Control Review of DOT's Audited Consolidated Financial Statements for Fiscal Years 2011 and 2010, QC-2012-009, November 2011</i>
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Managing and Securing Information Systems To Efficiently Modernize Technology Infrastructure and Protect Sensitive Data From Compromise

DOT	Develop and/or revise the Department's Enterprise Architecture (EA) policy and procedures to address the following: development, maintenance, and use of EA in the IT investment process.	<i>DOT Does Not Have an Effective Enterprise Architecture Program for Management of Information Technology Changes, FI-2012-086, April 2012</i>
DOT	Implement the use of personal identity verification (PIV) cards as the primary authentication mechanism to support multifactor authentication at the system and application level for all DOT employees and contractors.	<i>Timely Actions Needed To Improve DOT's Cybersecurity, FI-2011-022, November 2010</i>
