



Memorandum

U.S. Department of
Transportation
Office of Inspector General

Subject: **INFORMATION**: Audit Announcement –
(1) DOT’s Management and Oversight of
Recipient Emergency Plans for Protecting
Federally Funded Rolling Stock
Office of the Secretary of Transportation
Project Number 1 (PN1) 17H3001Z000

Date: October 25, 2017

(2) FTA’s Controls Related to Insurance Proceeds
Federal Transit Administration
Project Number 2 (PN2) 17H3006S000

From: Joseph W. Comé 
Principal Assistant Inspector General
for Auditing and Evaluation

Reply to
Attn. of: JA-60 (PN1)
JA-30 (PN2)

To: Deputy Secretary
Federal Transit Administrator

In October 2012, Hurricane Sandy caused widespread damage to the transportation infrastructure in the mid-Atlantic and northeastern United States. As of June 2017, the Federal Transit Administration (FTA) had allocated approximately \$6.8 billion for recovery projects. The legislation designating this funding also provided funds to our office to support oversight of FTA’s Sandy relief funding under its Emergency Relief Program.¹ To address our continuing mandate to support oversight of Sandy relief funds, as well as provide the opportunity to apply lessons learned from Hurricane Sandy efforts to similar events, we are initiating two audits related to oversight of emergency preparedness and response.

The first audit is a review of FTA’s and grantees’ practices for protecting against a significant loss of rolling stock, as occurred during Hurricane Sandy. As of December 31, 2016, FTA had awarded \$762 million in grants for Sandy-related damages to rolling stock such as buses, railcars, and for related facilities and equipment.

¹ The Disaster Relief Appropriations Act of 2013 (Pub. L. No. 113-2, December 2013) designated almost \$11 billion to fund the FTA’s response to Hurricane Sandy under its Public Transportation Emergency Relief Program (ERP). The ERP was established by the Moving Ahead for Progress in the 21st Century Act (Pub. L. No. 112-141, July 2012) to provide funds for states and public transportation systems to protect, repair, or replace assets damaged in an emergency, such as a natural disaster.

FTA relies on grantees to ensure that federally funded transportation assets—such as rolling stock—are sufficiently protected before a disaster occurs to mitigate infrastructure loss and provide continued mobility for the traveling public. The objectives are to assess (1) FTA’s implementation of relevant guidance and oversight of emergency planning as it relates to the rolling stock of recipients impacted by Hurricane Sandy and other natural disasters, and (2) the extent to which lessons learned from experiences with protecting rolling stock during Hurricane Sandy have been incorporated into emergency relief plans and procedures at FTA and the Office of the Secretary of Transportation.

The second audit is a review of FTA’s oversight of insurance proceeds grantees received to repair or replace assets damaged due to Hurricane Sandy. After a disaster occurs, grantees that receive FTA emergency relief funds are required to consult with FTA on how to apply insurance proceeds when received.² This can help mitigate the risk of grantees receiving duplicate funding from insurance reimbursements and Federal relief funds to repair or replace the same assets. Our prior work on FTA’s oversight of Hurricane Sandy relief funding³ found that FTA established formal reporting and tracking procedures for grantees’ receipt of insurance proceeds but faced years of ongoing monitoring before insurance settlements could be reached. Five years after the disaster, it is appropriate to examine the degree to which settlements impact the final amount of Federal Hurricane Sandy funds that grantees are entitled to receive. Our objective is to assess FTA’s oversight of Hurricane Sandy grantees’ compliance with FTA’s requirements for insurance proceeds.

We plan to begin both audits this month and will contact your audit liaison to schedule an entrance conference. We will conduct our work at Department of Transportation and FTA Headquarters, the FTA Region 2 office in New York, and other FTA sites as needed. We also plan to conduct work at transit agencies impacted by Hurricane Sandy and other natural disasters.

If you have any questions, please contact Mary Kay Langan-Feirson, Assistant Inspector General for Acquisition and Procurement Audits, at 202-366-5225 (PN1) or Barry J. DeWeese, Assistant Inspector General for Surface Transportation Audits at 202-366-5630 (PN2).

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cc: DOT Audit Liaison, M-1
FTA Audit Liaison, TBP-30

² For projects where FTA awards funding under the ERP, if a grantee receives insurance proceeds when project property has been lost or damaged as a result of a declared disaster, the grantee agrees to: (a) apply the insurance proceeds attributable to the lost asset to the net project cost of repairing or replacing that asset, with the resulting net project cost eligible for reimbursement under the ERP at the applicable Federal share, or (b) return to FTA an amount equal to the remaining Federal interest in the lost, damaged, or destroyed project property.

³ *FTA Has Not Fully Implemented Key Internal Controls for Hurricane Sandy Oversight and Future Emergency Relief Efforts* (OIG Report No. ST2015046), June 12, 2015. OIG reports are available on our website at <http://www.oig.dot.gov/>.