


Memorandum

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

Subject: INFORMATION: Audit Announcement —
Federal Motor Carrier Safety Administration's
Compliance With Mexican Motor Carrier Cross-
Border Safety Requirements—Initial Audit
Project Number: 07M3008M000

Date: June 19, 2007

From: Kurt W. Hyde 
Assistant Inspector General
for Surface and Maritime Programs

Reply to
Attn. of: JA-40

To: Federal Motor Carrier Safety Administrator

On February 23, 2007, the Secretary of Transportation announced a 1-year demonstration project (also referred to as a pilot program) that would permit up to 100 motor carriers domiciled in Mexico to operate beyond the commercial zones along the United States-Mexico border. Based on details published in the Federal Register on May 1, 2007, the demonstration project will be initiated when the first Mexican carrier is granted provisional authority by the Federal Motor Carrier Safety Administration (FMCSA) to operate beyond the commercial zones.

In response to the requirements set forth in the U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007¹, this audit will examine FMCSA compliance with Section 350(a) of the Fiscal Year 2002 Department of Transportation and Related Agencies Appropriations Act.² Section 350(a) contains preconditions for reviewing and processing applications by Mexican motor carriers to operate beyond the border commercial zones. This initial audit will include an examination of whether the Department of Transportation has established sufficient mechanisms to apply Federal motor carrier safety laws and regulations to motor carriers domiciled in Mexico that are granted authority to operate beyond the border commercial zones, and to ensure compliance with such laws and regulations.

¹ Public Law 110-28.

² Public Law 107-87.

The recent legislation requires any issues from our report on this review (initial report) on the demonstration project to be addressed by the Secretary and reported to Congress before the initiation of the demonstration project. Once the demonstration project is initiated, the Inspector General is required to monitor and review the demonstration project and provide the following:

- an interim report (interim report) 6 months after the start of the demonstration project, looking at participant selection, any adverse effects on motor carrier safety, and monitoring/enforcement activities and
- a final report (final report) within 60 days of the conclusion of the demonstration project addressing the same topics as the interim report.

The specific audit objectives for the initial report will be to determine whether FMCSA has: (1) complied with each of the Section 350(a) requirements; (2) established sufficient mechanisms to ensure that provisional authority is only granted to motor carriers domiciled in Mexico that can comply with U.S. Federal motor carrier laws and regulations as well as requirements associated with the demonstration project, and (3) established sufficient monitoring and enforcement mechanisms to ensure that Mexican motor carriers that are granted provisional authority comply with U.S. Federal motor carrier laws and regulations as well as requirements associated with the demonstration project.

To meet objectives 2 and 3 of the initial report, our work will include assessing the mechanisms identified by FMCSA through the review of written evidence and limited direct observations. We will also identify potential risks in ensuring compliance with Section 350(a), based on our prior audit work and general experience assessing internal controls. However, full testing of whether the mechanisms are, in fact, operating effectively can occur only if the Secretary initiates the demonstration project following the initial report.

We plan to conduct the audit work at FMCSA Headquarters and other locations, to include Mexico, as deemed necessary. We will start this audit immediately and will contact FMCSA's audit liaison to schedule a formal entrance conference. A copy of this announcement letter will be provided to the appropriate congressional committees.

If you have any questions or need additional information, please contact me at (202) 366-5630 or Joe Comé, Program Director, at (202) 366-0377.

cc: Secretary
Deputy Secretary