PHMSA Can Enhance Its Hazardous Material Fitness Reviews by Meeting Its Application Processing Goal and Addressing Oversight Gaps
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Self-initiated

Pipeline and Hazardous Materials Safety Administration | ST2022025 | March 23, 2022

What We Looked At
According to data from the Pipeline and Hazardous Materials Safety Administration (PHMSA), more than 3.3 billion tons of hazardous materials (hazmat) are transported within the United States each year. As PHMSA is responsible for evaluating the fitness of companies that transport hazmat, we initiated this audit with the following objective: to assess PHMSA’s implementation of Federal requirements for conducting fitness reviews of applicants seeking hazmat approvals or special permits. Specifically, we assessed (1) PHMSA’s three-tier process for reviewing applicants’ fitness and (2) internal controls the Agency employed to conduct those reviews and communicate the results, as required.

What We Found
PHMSA is improving its three-tier hazmat fitness review processes, but its timeliness goal is not always achievable. Specifically, PHMSA processed most Tier 1 reviews within DOT’s 120-day goal but took longer for Tiers 2 and 3. PHMSA investigators did meet Agency standards for inspecting and developing fitness memorandums. PHMSA is also improving its methods for tracking Tier 2 and Tier 3 applications and for documenting decisions regarding Tier 3 inspections. However, its software systems do not communicate with each other, and the Agency does not require fitness memorandums to identify relevant inspection report numbers—factors that will hinder PHMSA’s efforts to meet its timeliness goal or identify potential problems. PHMSA also has internal control gaps for conducting hazmat fitness reviews, although it is working to address those gaps. In addition, some data were not correctly correlated to company profiles, which could impact the accuracy of Tier 1 reports and fitness reviews. Finally, PHMSA did not fully publicly communicate, as required, the status of applications delayed more than 120 days. Until PHMSA addresses these internal control gaps, it has less assurance its application review process will meet Federal requirements.

Our Recommendations
We made 12 recommendations to improve PHMSA’s implementation of Federal requirements for conducting fitness reviews. PHMSA concurred with all 12 recommendations, and we consider them resolved but open pending completion of planned actions.

All OIG audit reports are available on our website at www.oig.dot.gov.
For inquiries about this report, please contact our Office of Legal, Legislative, and External Affairs at (202) 366-8751.
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Memorandum

Date: March 23, 2022


From: David Pouliott
Assistant Inspector General for Surface Transportation Audits

To: Pipelines and Hazardous Materials Safety Administrator

According to Pipeline and Hazardous Materials Safety Administration (PHMSA) data, more than 3.3 billion tons of hazardous materials (hazmat)—valued at more than $1.9 trillion—are transported by air, highway, rail, and sea vessel in the United States each year. In calendar year 2019, about 22,300 hazmat incidents occurred in all modes of transportation nationwide, resulting in 7 fatalities, 177 injuries, and approximately $91 million in damages, demonstrating the importance of robust oversight of all hazmat transportation.

The Hazardous Materials Transportation Act\(^1\) authorized the Secretary of Transportation to establish regulations for the safe transportation of hazmat in commerce, issue exemptions (i.e., special permits) from those regulations, and conduct investigations and inspections. The Department of Transportation (DOT) developed the Hazardous Materials Regulations (HMR)\(^2\) for the safe and secure transportation of hazmat in commerce and to oversee whether shippers, carriers, and others are complying with packaging and transportation safety standards outlined in the regulations. The HMR requires that applicants apply for and receive PHMSA approval before performing certain functions, such as requalifying cylinders (e.g., propane tanks) that meet DOT specifications,\(^3\) or obtaining a special permit to perform functions prohibited by the regulations.

PHMSA’s Office of Hazardous Materials Safety (OHMS) is responsible for evaluating applications for approvals and special permits. OHMS determines

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\(^3\) 49 CFR §105.5 (2020).
whether the applicant demonstrates an appropriate level of safety and is fit (i.e., has the knowledge, capability, and performance) to safely conduct the activity listed in the application. Given the importance of fitness determinations, the objective of this self-initiated audit was to assess PHMSA’s implementation of Federal requirements for conducting fitness reviews of applicants seeking hazardous materials approvals or special permits. Specifically, we assessed (1) PHMSA’s three-tier process for reviewing applicants’ fitness and (2) internal controls the Agency employed to conduct those reviews and communicate the results, as required.

We conducted our work in accordance with generally accepted Government auditing standards. The audit focused on fitness reviews OHMS completed for applications it received in fiscal years 2018 and 2019. Exhibit A details our scope and methodology, exhibit B lists the entities we visited or contacted, and exhibit C lists the acronyms used in this report.

We appreciate the courtesies and cooperation of DOT representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5630 or Kerry R. Barras, Program Director, at (817) 987-3318.

cc: The Secretary  
DOT Audit Liaison, M-1  
PHMSA Audit Liaison, PHO-10
Background

PHMSA’s oversight of hazmat fitness reviews for approval and special permit applications includes a three-tier process (see figure 1) to determine if an applicant’s fitness supports the safe commercial transportation of hazmat. Federal law\(^4\) requires DOT to inform the public when applications for PHMSA approvals and special permits take more than 120 days to process, explain why the review is delayed, and estimate a completion date.\(^5\) PHMSA’s oversight is further governed by the Code of Federal Regulations (CFR),\(^6\) PHMSA desk guides,\(^7\) and the OHMS *Field Operations Manual*.\(^8\) In 2021, PHMSA started revising the desk guides, the manual, and other guidelines.

Figure 1. PHMSA’s Three-Tier Fitness Review Process

```
Application
Received

Tier 1
Automated Review
OHMS Approvals
and Permit Division

Fail

Pass

Fit/Unfit Memo

Tier 2
Safety Profile
Evaluation
OHMS Field Services
Support Division

Fail

Tier 3
On-Site Inspection
OHMS Regional Offices

Fail

Denial

Applicant Can
Request
Reconsideration

Source: OIG analysis of PHMSA fitness processes
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Additionally, an interagency agreement between PHMSA and the Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), Federal Aviation Administration (FAA), and United States Coast Guard (USCG) provides a framework for governance and operational workflow for special

\(^{4}\) Title 49, U.S. Code (U.S.C.), section 5117(c).
\(^{5}\) More specifically, the U.S.C. states PHMSA should complete its review within 120 days after the first day of the month in which a company filed its application.
permits and approvals. The interagency agreement states that DOT’s goal is to complete the entire application review process—including automated reviews in Tier 1, safety profile evaluations in Tier 2, and onsite inspections in Tier 3—within 120 days. This goal is based on the HMR, which states that special permit applicants must submit documentation at least 120 days before they need PHMSA’s decision on the application.\textsuperscript{10}

According to PHMSA guidance, all applicants for special permits and many types of approvals undergo a Tier 1 automated review. OHMS Approvals and Permits Division\textsuperscript{11} project officers review a report automatically generated by the PHMSA DataMart for hazmat (PDM-H), which integrates inspection, incident, regulation, penalty, and other data collected by PHMSA, FMCSA, FRA, FAA, USCG, Centers for Disease Control and Prevention, and Transportation Security Administration. Each Tier 1 automated report contains hazmat-related incidents, enforcement actions, and inspection results and uses six objective questions to calculate whether applicants meet PHMSA’s minimum level of fitness criteria. OHMS considers applicants fit if they pass all six questions. If an applicant fails the Tier 1 review, the project officer forwards the application to the Field Services Support Division for a Tier 2 safety profile evaluation.

During a Tier 2 safety profile evaluation, Field Services Support Division fitness coordinators use incident and enforcement data in the PDM-H to conduct an in-depth desk review of the applicant. If the Tier 2 evaluation does not uncover any significant and relevant incident or enforcement information, the Field Services Support Division will consider the applicant fit and convey that in a memorandum to the Approvals and Permits Division. If the Tier 2 evaluation identifies an incident relevant to the application or finds the applicant has taken insufficient corrective actions in an enforcement case, the fitness coordinator will forward the application to an OHMS regional office for a Tier 3 onsite fitness inspection.

During a Tier 3 onsite inspection, OHMS regional office investigators visit and evaluate applicants’ overall facility operations and determine their ability to perform the tasks identified in their applications, as well as matters such as training and security policies. Once the inspection is complete, the investigator sends a memorandum recommending the applicant is fit or unfit to the Field Services Support Division, which reviews the memorandum and sends it to the Approvals and Permits Division. If OHMS determines the applicant is unfit, it will deny the application. In that case, the applicant may request reconsideration.


\textsuperscript{10} 49 CFR § 107.105 (2020).

\textsuperscript{11} The office titles and designators we use in this report are those PHMSA used prior to its March 2021 reorganization.
In fiscal years 2018 and 2019, PHMSA received 10,436 applications for approvals and special permits (see table 1). Of those applications, 10,149 were associated with Tier 1 reviews, 256 associated with Tier 2 evaluations, and 31 associated with Tier 3 inspections.

Table 1. Applications Submitted to PHMSA in Fiscal Years 2018 and 2019 That Underwent Fitness Reviews

<table>
<thead>
<tr>
<th>Application</th>
<th>Type</th>
<th>Explanation</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval</td>
<td>Registration</td>
<td>Register as a cylinder manufacturer or requalifier of low-pressure cylinders</td>
<td>4,205</td>
<td>40%</td>
</tr>
<tr>
<td>Approval</td>
<td>Cylinder Requalifiers</td>
<td>Approval to inspect, test, and recertify cylinders</td>
<td>2,046</td>
<td>20%</td>
</tr>
<tr>
<td>Approval</td>
<td>Other</td>
<td>Approval to be a foreign cylinder manufacturer, independent inspection agency (IIA), etc.</td>
<td>772</td>
<td>7%</td>
</tr>
<tr>
<td>Special Permit</td>
<td>Authority to perform actions not specifically allowed in the HMR</td>
<td>3,413</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>10,436</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: OIG analysis of PHMSA data

Results in Brief

**PHMSA is improving its fitness review processes, but its timeliness goal is not always achievable.**

Based on our review, in fiscal years 2018 and 2019, PHMSA’s three-tier hazmat fitness review process resulted in the vast majority being processed under Tier 1 within DOT’s 120-day goal, but on average taking longer for Tier 2 and Tier 3 processes. Our analysis of a random sample of 69 Tier 1 applications determined that OHMS reviewed 34 applications in an average of 28 days. The remaining 35 were not subject to a fitness review since they were registration approvals, and PHMSA considered them to be low-risk applications that did not require

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12 PHMSA also received 14,618 applications for explosives and fireworks approvals but did not conduct fitness reviews as these approvals only certify the hazmat has been classed for transportation based on HMR requirements.

13 IIAs have received PHMSA’s approval to perform, witness, and verify tests and inspections, verifications, and certifications of DOT specification cylinders in accordance with the HMR.

14 Registration approvals are unique identification numbers (e.g., for a packaging manufacturer) used solely as an identifier or in conjunction with the approval holder’s name and address. A registration number is evidence the approval holder is qualified to perform its approved function (e.g., visually requalifying cylinders).
review. In December 2019, OHMS updated its software and processes to require reviews of these applicants. For the 56 sample applicants associated with Tier 2, OHMS took an average of 186 days to complete the evaluation. On average, OHMS took 296 days to complete its reviews of 26 Tier 3 applications that we examined for timeliness. While they did not meet the process goal, PHMSA investigators met Agency standards in inspecting and developing fitness memorandums for the 26 applicants. One reason for not achieving the 120-day goal is that OHMS may need additional time to conduct safety profile evaluations and onsite inspections, especially those in foreign countries. OHMS also creates aging reports for the entire fitness review process but does not define how officials should use them. However, PHMSA has started to develop a dashboard for Tier 2 and Tier 3 reviews that will track applications and plans to complete the tool by early 2022. Additionally, while PHMSA did not document why Tier 3 inspections were requested, rescheduled, or cancelled, during our audit, the Agency updated its application processing software with a new data field for documenting such information. Finally, PHMSA’s software systems were not designed to communicate with each other, and the Field Operations Manual does not require fitness memorandums to identify relevant inspection report numbers. Consequently, until PHMSA completes planned actions and addresses weaknesses in its fitness review processes, it will be less likely to meet timeliness goals for these reviews and may not identify potential issues with fitness applications.

**PHMSA has internal control gaps for conducting hazmat fitness reviews.**

Management controls help a Federal entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. A key part of PHMSA’s internal controls over fitness reviews are outlined in guidance. The risk-based guidelines do not clearly explain how staff should perform important fitness review tasks; for example, providing steps on how to refer applications to the Field Services Support Division for Tier 2 evaluations, prioritize Tier 3 inspections, or address quality control items and risk. The Agency has updated its software to schedule and prioritize fitness inspections and, according to an OHMS official, will revise the Field Operations Manual to address that gap and others by early 2022. PHMSA also has gaps in data quality. PDM-H includes a data warehouse of company profiles built on verified and corrected data. While the Agency continuously improves the quality of its data, some were not correctly correlated to company

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15 We excluded 5 of 31 records from our Tier 3 timeliness analysis that examined work plan data because of unclear or limited prior system files. Similarly, we excluded 5 of 31 records from our Tier 3 process analysis because these applicants did not receive an onsite inspection. As a result, we used 26 applicants to conduct our Tier 3 analyses.

16 Quality control items are instances in which staff are performing an action or procedure that could lead to a violation—if not corrected. They are not violations of a regulation.
profiles, which could impact the accuracy of Tier 1 reports and fitness reviews that rely on this data. For example, three automated fitness reports incorrectly failed three applicants for lacking a previous OHMS inspection, although inspections had taken place. This error occurred because the application or inspection report had a name or address that varied slightly from the company profile. Finally, PHMSA did not fully communicate to the public statutorily required information on the status of applications delayed more than 120 days. The Agency’s approvals website lacked this information because project officers were unaware of the requirement to provide this information for approvals or did not enter estimated completion dates for special permits unless they were confident about the information. As of October 2021, the Agency had made some but not all enhancements to its approvals website. As a result, until PHMSA addresses these internal control gaps, it has less assurance its application review process is effective and efficient and meets requirements to report processing delays.

We made 12 recommendations to improve PHMSA’s implementation of Federal requirements for conducting fitness reviews.

PHMSA Is Improving Its Fitness Review Processes, but Its Timeliness Goal Is Not Always Achievable

In fiscal years 2018 and 2019, PHMSA completed Tier 1 reviews for most application types but had not subjected registration approvals to the Tier 1 review. However, it has since corrected that process weakness. The Agency supported its Tier 2 evaluations with fitness memorandums or written comments but ineffectively tracked evaluation status. PHMSA is also improving management of its Tier 3 inspections; however, its timeliness goal is not always achievable and does not account for the various levels of effort required to complete each tier.

PHMSA Completed Timely Tier 1 Reviews and Corrected a Weakness by Including Registration Approvals in Its Reviews

For the 10,436 applications received by PHMSA in fiscal years 2018 and 2019, the Agency determined the fitness of 97 percent of them at the Tier 1 level. PHMSA met DOT’s 120-day goal by reviewing 34 of 69 applicants in our random sample in an average of 28 days. For the remaining 35 applications, Agency officials did not assess fitness because the applicants were requesting registration approvals
the Agency considered to be low risk; however, Federal regulations\textsuperscript{17} require this assessment. In December 2019, PHMSA corrected that oversight weakness by updating software used in its registration approval review process and requiring that registration approval applications undergo a fitness review.

**PHMSA Reviewed the Fitness of About Half of the Tier 1 Applicants Within 120 Days**

PHMSA completed its review of 34 (49 percent) of 69 applicants within a median of 12 days and an average of 28 days. The Agency completed 33 of 34 reviews within DOT’s 120-day goal and 1 review in 138 days (see figure 2).\textsuperscript{18}

Electronic folders for 29 of 34 applications included automated fitness reports. Of the 29 applicants, 28 passed the review. One foreign cylinder requalifier failed because the automated report incorrectly stated that PHMSA had never inspected the applicant, although an inspection was done 5 years earlier.\textsuperscript{19}

The electronic folders for the remaining five applications contained blank automated reports\textsuperscript{20} indicating that applicants were either new or did not have a record in the PDM-H. PHMSA regarded these applicants as fit, as no derogatory information was available. Of these five applicants, one lacked a record in the PDM-H, and the system was unable to link the other four to a known company. By the end of our audit, all five of these applicants had a company profile in the PDM-H and had passed PHMSA’s minimum level of fitness. According to the Information Resources Division, these changes were likely made to improve the quality of PDM-H data.

\textsuperscript{17} 49 CFR Part 107, appendix A (2020).
\textsuperscript{18} PHMSA’s review of the one application was impacted by the 35-day Federal Government shutdown in December 2018 and January 2019.
\textsuperscript{19} OHMS reviewed the IIA report and other documents in the folder, decided they did not need to refer the applicant for a Tier 2 review, and granted the request.
\textsuperscript{20} We address blank automated fitness reports as a data quality issue later in this report.
PHMSA found 30 of 34 applicants fit based on their Tier 1 reports. Two were unfit—one did not provide information requested, and one was found unfit by FMCSA. A third company withdrew its application, and PHMSA incorrectly identified a fourth application as withdrawn when it was actually an information update.

**PHMSA Corrected a Weakness in Its Tier 1 Process Regarding Registration Approvals**

In fiscal years 2018 and 2019, PHMSA did not review the fitness of 35 (51 percent) of 69 sampled applications for registration approvals. These 35 applications involved two types:

- Approvals for a visual identification number (VIN) assigned to a visual-only requalification of low pressure cylinders not subjected to a hydro test (see figure 3).

- Approvals for companies that manufacture packaging based on a DOT or United Nations standard; these companies are issued a unique manufacturer number (M-Number) that can replace their names and addresses, which are required to be on the packages.
At the time, according to OHMS, the Agency intentionally did not review registration approvals due to their low-risk nature—VINs involve low-pressure cylinders and M-numbers are voluntary. However, Federal regulations\(^{21}\) require that registration approvals undergo fitness reviews. Moreover, in a September 2015 final rule,\(^ {22}\) PHMSA stated it would analyze VIN applicants for fitness if it had any information that they could not visually requalify low-pressure cylinders.

Figure 3. Example of a VIN on a Cylinder

A \textbf{Manufacturing Date:}  
Cylinders must be requalified within 10 years of manufacture (in this illustration by May 2015).

B \textbf{Requalification Date:}  
If the cylinder is older than 10 years, look for a “requalification date.”

Source: PHMSA

PHMSA addressed this oversight weakness in December 2019 when it upgraded and implemented the software for processing VIN and M-Number applications for consistency with software for processing other types of approvals and special permits. From that point, PHMSA required that registration approval applications undergo a fitness review.


OHMS Did Not Meet the 120-Day Goal for Most of Its Tier 2 Fitness Evaluations

OHMS took more than 120 days to process applications for 33 (59 percent) of the 56 applicants we analyzed and that required a Tier 2 review. The Field Services Support Division determined that 52 (93 percent) were fit and denied 2 applications—one did not meet a requirement for approval, and the other withdrew its application. The Field Services Support Division did not make fitness determinations for the remaining two applications. OHMS denied them because one company received a negative report from an IIA and another did not provide additional requested information. Subsequently, OHMS denied four additional applications that were previously determined to be fit—one applicant did not provide requested data, one did not have a current IIA report, one was denied for technical reasons, and one submitted a withdrawal request.

According to PHMSA regulations, the Tier 2 safety profile evaluation is an in-depth fitness review completed when an applicant does not pass a Tier 1 automated review. Typically, a fitness coordinator evaluates the applicant based on the Tier 1 results, as well as information on past incidents, prior violations, insufficient corrective actions, or evidence that the applicant may not be able to comply with the HMR. Based on the outcome of this Tier 2 evaluation, the applicant could either be recommended as fit or referred for a Tier 3 inspection.

Applicants that underwent Tier 2 evaluations had commonly failed Tier 1 reviews due to multiple incidents on their records, ranging from rollover accidents to small spills. Less frequent reasons included fatalities and serious injury incidents, prior enforcement cases, and foreign cylinder manufacturers or requalifiers that were never inspected. An applicant may pass a Tier 2 evaluation but still be denied an approval for other reasons (e.g., a technical review identifies a critical issue or the applicant does not provide requested information).

We analyzed records for the 56 sample applications to determine how long the Field Services Support Division took to conduct Tier 2 evaluations and whether OHMS met DOT’s goal for completing the entire application process. We found that OHMS took a median of 99 days and an average of 129 days to conduct the 56 Tier 2 evaluations (see table 2). These delays occurred despite tracking through aging reports and other tools. For example:

- OHMS took more than 120 days to process 33 of 56 (59 percent) applications from submittal to decision. Overall processing times varied

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from 20 to 812 days, with a median of 136.5 days and an average of 186 days.

- OHMS took a median of 99 days and an average of 129 days to conduct the Tier 2 portion of the fitness review for the 56 applications, ranging from 7 to 585 days. Of the 56 Tier 2 reviews, 23 (41 percent) took 120 days or less to complete, while 33 (59 percent) took more than 120 days.

<table>
<thead>
<tr>
<th>Process</th>
<th>Median (Days)</th>
<th>Average (Days)</th>
<th>Shortest (Days)</th>
<th>Longest (Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire Process (Submittal to Decision)</td>
<td>136.5</td>
<td>186</td>
<td>20</td>
<td>812</td>
</tr>
<tr>
<td>Tier 2 Evaluation Process</td>
<td>99</td>
<td>129</td>
<td>7</td>
<td>585</td>
</tr>
</tbody>
</table>

Source: OIG analysis of PHMSA data

Several factors affected the length of time PHMSA needed to complete Tier 2 evaluations. For example, one evaluation was delayed 55 days because representatives from an OHMS field office and PHMSA’s Office of Chief Counsel were discussing an enforcement case that resulted from a compliance inspection unrelated to the application. Another case that was delayed 465 days required a more in-depth evaluation because the applicant had received complaints from competitors and questions about its IIA.

During our audit, PHMSA began taking steps to better manage its Tier 2 evaluations and mitigate fitness review processing delays. For example, we observed the Agency’s preliminary dashboard for tracking the status of Tier 2 applications. The Field Services Support Division is working with the Information Resources Division to develop the dashboard, with a goal of completing the project by early 2022. According to OHMS, this project will provide leaders a visual representation of where applications are in the review process at any given time, allowing them to better oversee and manage the process.

While PHMSA conducted its Tier 3 inspections based on Agency standards, it did not meet its timeliness goals for processing applications and assessing fitness or
document decisions on inspection requests or cancellations. PHMSA is also working to improve its documentation of those fitness inspections.

**PHMSA Did Not Always Meet Its 120-Day Goal for Processing Applications and Assessing Fitness**

While DOT aims to have PHMSA process applications from submission to final decision within 120 days, we found this goal was not always achievable. We based our conclusion on the time it took PHMSA to review 26 applications that underwent Tier 3 inspections in fiscal years 2018 and 2019. For these 26 applications, OHMS completed the entire fitness review process within a median of 238 days and an average of 296 days, ranging from 51 to 705 days, and met the goal for only 3 applications. For Tiers 2 and 3, OHMS took a median of 165 days and an average of 173 days, with a range of 21 to 688 days. See table 3 for more details on processing times.

### Table 3. Processing Times for Applications With Tier 3 Inspections

<table>
<thead>
<tr>
<th>Process</th>
<th>Median (Days)</th>
<th>Average (Days)</th>
<th>Shortest (Days)</th>
<th>Longest (Days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire Process (Submission to Decision)</td>
<td>238</td>
<td>296</td>
<td>51</td>
<td>705</td>
</tr>
<tr>
<td>Fitness Process (Tier 2 &amp; Tier 3)</td>
<td>165</td>
<td>173</td>
<td>21</td>
<td>688</td>
</tr>
</tbody>
</table>

Source: OIG analysis of PHMSA data

As demonstrated in figure 4, Tier 2 evaluations and Tier 3 inspections had a significant influence on PHMSA’s timeliness in processing these applications. For 16 of 26 applications (red stars), Tier 2 evaluations and Tier 3 inspections caused application processing time to exceed 120 days. For seven applications (light blue squares), other factors caused processing time to exceed the Department’s goal. The remaining three applications (navy blue dots) were processed within 120 days.

According to OHMS, there are varying reasons for extended timeframes to conduct Tier 2 evaluations and Tier 3 inspections—such as unusually complex fitness determinations, missing information, and limited resources for conducting both domestic and international inspections. OHMS plans to revise the timeliness goal for domestic applicants in its revised *Field Operations Manual*—15 days for Tier 2 evaluations and 90 days for Tier 3 inspections, plus 15 days to review the resulting fitness memorandums. Given the results of our analyses, these new

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24 PHMSA had insufficient reliable data on when applicants failed a Tier 2 evaluation, which would have allowed us to separate Tier 2 evaluation times from Tier 3 inspection times. This occurred because the Field Services Support Division did not consistently monitor the length of time taken for Tier 2 activities.
goals may not be adequate or reasonable. PHMSA has met with Federal agencies to discuss updating the interagency agreement.

Figure 4. Processing Time for 26 Tier 3 Applications

PHMSA Conducted Tier 3 Onsite Fitness Inspections in Accordance With Applicable Agency Standards

PHMSA investigators met Agency standards in inspecting and developing fitness memorandums for the Tier 3 inspections we examined. The Field Operations Manual states that investigators should evaluate the applicant’s overall operations. In addition, investigators are expected to focus on practices and procedures that would be authorized under the requested approval or special permit, as well as other areas covered by normal compliance inspections. After an inspection is complete, the results and supporting documents are entered into the Case Management System. OHMS writes a fitness memorandum that concludes whether the applicant meets the requirements of the HMR and makes a recommendation on the applicant’s fitness.
Investigators wrote fitness memorandums and inspection reports for virtually all 26 companies in our Tier 3 review. Agency officials completed one inspection report after we determined it was missing and brought the issue to the chief investigator’s attention. Based on OHMS records, 23 of 26 applicants were fit, and 2 were unfit. The last company withdrew its application.

**PHMSA Did Not Document Its Decision-Making Process for Managing Tier 3 Inspections**

In its application processing software, the Field Services Support Division did not document why inspections were requested, rescheduled, or canceled. Such explanations might include, for example, changes in investigators’ availability or unsafe conditions in the country to be visited.

A Field Services Support Division official stated that such information was explained in emails but agreed that formal documentation would improve the process. During our audit, this official started working with the Information Resources Division to update forms used to evaluate applications. Since April 2021, those forms have included a new data field that documents fitness coordinators’ review of applications and reasons for referrals to field offices.

The new data field addressed another data gap. Previously, fitness coordinators did not document in application folders why foreign fitness inspections had been rescheduled or canceled. Each fiscal year, PHMSA develops a foreign travel plan that includes overseas fitness inspections. The Agency submits the plan to the Office of the Secretary of Transportation for approval. However, regional directors may postpone or cancel trips because of changes in investigators’ availability, unsafe conditions in the country to be visited, or other reasons. A senior OHMS official also indicated there was an effort to minimize foreign travel in fiscal year 2018. Currently, fitness coordinators can use the new data field to document why a foreign inspection has been rescheduled or canceled.

OHMS cannot easily track which applications undergo Tier 3 inspections. The Approvals and Permits Division uses various software to process applications for approval and special permits. The Field Services Support Division and Regional Offices use the Case Management System to process and manage inspections, investigations, and enforcement actions. These systems are not connected and were not designed to communicate with each other. The current solution for bridging the gap between these systems is to take information from one system and transfer it to the other. However, the folders in the application processing software do not have data fields for fitness inspection report numbers, and Case Management System records lack a field for relevant application tracking numbers. During our audit, PHMSA started to address this with a field for inspection report numbers in the application processing software and a field for application tracking numbers in the Case Management System.
Moreover, the Field Operations Manual does not require the fitness memorandums to include the inspection report numbers that PHMSA officials use to identify inspections. The Agency is revising the Field Operations Manual to require investigators to include this requirement and plans to complete the task in January 2022. According to PHMSA, this revision and the new software fields will allow OHMS personnel to better track which applicants have undergone Tier 3 inspections.

Consequently, until PHMSA updates software to better link application processing software with inspection records and revises the Field Operations Manual, its ability to track the status of Tiers 2 and 3 fitness reviews is impacted. In addition, until the Agency completes development of the dashboard for tracking Tier 2 fitness evaluations and addresses its new goals for Tier 2 evaluations and Tier 3 inspections, it will have less assurance that fitness reviews will be timely and may not identify potential issues with fitness applications.

PHMSA Has Internal Control Gaps for Conducting Hazmat Fitness Reviews

As part of its internal controls over fitness reviews, PHMSA established guidelines, but they do not clearly explain how PHMSA staff should refer applicants for further review, prioritize inspections, or address quality control and risk. Furthermore, the Agency has inaccurate and incomplete company data in the PDM-H and has not fully communicated statutorily required information on the status of delayed applications to the public.

OHMS Guidelines for the Fitness Review Process Lack Clarity

OHMS guidelines did not clearly explain how to refer applicants for Tier 2 evaluations, prioritize inspections, or address quality control items and risk. Standards for Internal Control in the Federal Government (Internal Control Principles) states that management should implement control activities through policies. Management controls help an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. While OHMS manuals, guides, and other documents address activities relevant to fitness reviews, we identified gaps. For

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example, the guidelines on prioritizing inspections do not mention fitness inspections, and the *Field Operations Manual* insufficiently covers quality control items and risk assessments. During our audit, the Agency started updating these guidelines but had not finalized all of them as of the date of this report.

**PHMSA Guidelines on Referring Applicants for Tier 2 Evaluations Are Unclear in Certain Areas**

The Agency is working to address a variety of weaknesses in its guidelines for referring approvals to the Field Services Support Division for Tier 2 evaluations. PHMSA formalized the guidelines for referring domestic cylinder facilities but has not yet addressed an inconsistency with the *Approvals Program Desk Guide* or the lack of written guidelines for referring third-party laboratory applicants. Specifically:

- The Field Services Support Division had risk-based guidelines to show Approvals and Special Permits staff how to refer international cylinder manufacturers and requalifiers—but not domestic ones—for Tier 2 evaluations. After we discussed this weakness with PHMSA, the Agency addressed this matter in its revised referral guidelines, issued in July 2021, which discuss both international and domestic companies.

- The risk-based guidelines for applicant referrals\(^{26}\) did not require the Approvals and Permits Division to refer all foreign companies that seek to manufacture or requalify cylinders for a Tier 2 evaluation or a Tier 3 inspection. However, PHMSA’s *Approvals Program Desk Guide* states that OHMS will conduct Tier 3 inspections of foreign cylinder manufacturers, requalifiers, and repairers. Internal Control Principles state that management communicates quality information down and across reporting lines.\(^{27}\) As such, management priorities should be clear and communicated to all affected staff, and guidelines should be consistent regarding to operations such as Tier 2 evaluations and Tier 3 inspections. PHMSA did not resolve the inconsistency between the guidelines and the desk guide when it revised its risk-based referral guidelines in July 2021 but has an additional opportunity to do so when it completes its revision of the *Approvals Program Desk Guide*.

A senior OHMS official directed all division chiefs to revise guidelines and standard operating procedures in response to an Agency-wide

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\(^{26}\) OHMS Field Support Division, *International/Foreign Cylinder Manufacturers/IIs/DAAs* (September 2015) and *International/Foreign Cylinder Requalifiers* (September 2015).

\(^{27}\) Internal Control Principle No. 14.03
reorganization\textsuperscript{28} in March 2021, and the Agency plans to update the Approvals Program Desk Guide in early 2022.

- OHMS does not have written guidelines on referring United Nations Third Party Packaging Certification Agencies\textsuperscript{29} for Tier 2 evaluations. According to the Approvals and Permits Division, the Agency refers such applications to the Field Services Support Division, and the Approvals Program Desk Guide states that PHMSA may perform an onsite fitness inspection of applicants seeking approval to act as certification agencies.\textsuperscript{30} However, these third-party entities are not covered by the Agency’s referral guidelines. During our audit, PHMSA established a working group to review its oversight of these agencies and other third-party laboratories and independent entities that perform functions including packaging oversight. This working group presented its recommendations to senior OHMS officials in September 2021; however, it is unclear when PHMSA will develop guidelines for referring third-party laboratories for fitness inspections.

**OHMS Guidance Does Not Clearly Explain How to Prioritize Tier 3 Inspections**

OHMS does not have an overarching procedure on how to prioritize Tier 3 inspections among compliance inspections, complaint investigations,\textsuperscript{31} and other activities. Instead, that information is dispersed among several documents with limited scope. Internal Control Principles\textsuperscript{32} state that management should communicate down and across reporting lines so people can perform key roles.

For example, the Field Operations Manual describes tools for planning routine inspections, such as a daily report ranking potential inspection sites by risk factors, along with information from the OHMS Itinerary Planner, which is software used to schedule investigation and inspection site visits. However, the manual does not explain how investigators should prioritize fitness inspections over compliance inspections and other work they perform.

A senior OHMS official addressed the prioritization issue by requiring regional directors to assign fitness inspections to specific investigators. Moreover, PHMSA’s chief investigator’s performance standards require assignment of

\textsuperscript{28} The OHMS reorganization followed DOT Order 1100.74E, Department of Transportation Organization Manual, Pipeline and Hazardous Materials Safety Administration, on January 4, 2021.

\textsuperscript{29} United Nations Third-Party Packaging Certification Agencies test and certify that the packaging fully complies with the HMR.

\textsuperscript{30} Examples of certification agencies include independent laboratories that test packaging.

\textsuperscript{31} During compliance inspections, investigators assess entities’ understanding of and compliance with the HMR. During complaint investigations, investigators assess complaints PHMSA has received regarding an entity.

\textsuperscript{32} Internal Control Principle Nos. 14.02 and 14.03.
priorities for fitness reviews. However, OHMS does not have overarching written guidelines that explain how to prioritize fitness inspections.

Additionally, while the Itinerary Planner identified facilities associated with complaints and compliance inspections, it did not identify facilities requiring fitness inspections. However, during our audit, OHMS upgraded the Itinerary Planner to identify and prioritize fitness inspections.

**PHMSA’s Field Operations Manual Does Not Fully Explain the Use of Quality Control or Risk Assessments**

The *Field Operations Manual* chapter on fitness inspections describes three tiers of fitness reviews, provides guidance on conducting domestic and overseas fitness inspections, and lists basic elements of a fitness memorandum. However, we identified two weaknesses regarding quality control and risk assessments.

- The *Field Operations Manual* defines and mentions quality control items, but does not state whether they should be included in the inspection report. As a result, field offices have different expectations about whether inspection reports should include quality control items. For example, inspection reports we analyzed for fitness inspections conducted by three field offices included quality control items, but inspection reports by another field office did not.

- The manual states that investigators planning a fitness inspection should perform a risk assessment but does not explain what kind of risk assessment and for what purpose. OHMS personnel responses differed when we inquired about the meaning of risk assessment. For example, one investigator stated it is the risk at a facility, another stated it is related to an investigator’s security during overseas inspections, and a third was unfamiliar with the requirement.

**PHMSA Master Company Data Are Not Accurate or Complete in Some Instances**

While the Agency continuously improves the quality of hazmat facility data, this activity is not yet complete, and the electronic folders for selected applications included Tier 1 automated fitness reports with no data. Internal Control Principles\(^\text{33}\) state that management should use quality information to achieve objectives. Maintaining accurate data on hazmat facilities and the inspections and incidents associated with them are important elements in PHMSA reviews of an applicant’s fitness.

\(^{33}\) Internal Control Principle No. 13.
**PHMSA Is Working to Improve Its Data Quality but Lacks a Tool to Efficiently Link Applicants to Incident and Enforcement Data**

In the PDM-H, PHMSA maintains a data warehouse with company profiles built on data that have been verified and corrected when necessary. According to the Information Resources Division, when the Agency receives an application or incident report or creates an inspection record, a PHMSA contractor compares the new data to the existing warehouse data to ensure the new information is correctly matched to a company. Once per quarter, the contractor updates company profiles with the new information it has received.

Another contractor uses an artificial intelligence tool to verify and correct company profiles and assign a Dun and Bradstreet Data Universal Numbering System (DUNS) identifier to each company. PHMSA estimates the second contractor has reduced the number of records by 60 percent, from 2 million to 800,000, and this effort is ongoing.

Despite PHMSA’s efforts, we identified instances where data were not correctly correlated to company profiles, which could have an impact on automated fitness reports and fitness reviews. For example:

- In three cases, OHMS had inspected the applicant’s overseas facility but the PDM-H did not associate the inspection with applicant when generating the automated fitness report. Two applications in our Tier 1 and Tier 2 samples had an automated fitness report that incorrectly failed the applicant because they had not been previously inspected by OHMS. The third applicant’s PDM-H profile incorrectly showed the company had not undergone an inspection. In each case, the application or the OHMS inspection report had a name or address that varied slightly from the company profile. For example, the company name could be indicated as DHL in the Tier 1 report and Dalsey, Hillblom and Lynn in the PDM-H.

- In three other instances, the automated fitness report and application in the folder listed a different company name or address. According to the Information Resources Division, the most likely explanation was that the contractor had not removed these inconsistencies before the authorization was issued. A division official added that an Approvals and Permits Division project officer would not have addressed these inconsistencies because the application was for authority to requalify cylinders visually, which OHMS was not reviewing for fitness at that time.

- In three other instances, the authorizations and the PDM-H profile listed a different company name or address. According to the Information Resources Division, the most likely explanation is that a contractor provided an incorrect
DUNS identifier. PHMSA requires special permit applicants to provide a DUNS identifier but not approval applicants.

During our audit, PHMSA started and continues to develop a tool for resolving these issues. Quality data on applicants, incidents, and enforcement activities provide a firm foundation for processing applications and making fitness determinations.

This is not the first time we have reported on data quality issues associated with PHMSA’s approvals and special permits processes. Our 2014 report[^34] found that PHMSA needed to ensure it had accurate data on companies with multiple facilities. We closed the recommendation in 2017 after PHMSA demonstrated its ability to more accurately identify company headquarters and other locations.

**Some Application Folders Contained Blank Automated Fitness Reports**

PHMSA designed software to process applications so that the PDM-H generates an automated fitness report and includes it in the applicant’s electronic folder. However, 5 of 34 (15 percent) applicants in our Tier 1 sample, 10 of 56 (18 percent) applicants in our Tier 2 sample, and 8 of 26 (31 percent) applicants in our Tier 3 review had blank automated fitness reports. As figure 5 demonstrates, blank reports do not include the company, its address, or other relevant information, such as the applicant’s fitness.

User guides for the software used to process approvals and special permits[^35] mention automated fitness reports and the need to review applicants’ fitness. However, they do not direct project officers and supervisors to ensure automated fitness reports are complete.

OHMS officials acknowledged that application folders sometimes have blank Tier 1 reports. This does not impact on approvals because it indicates PDM-H has no derogatory information about the applicant. One applicant did not have an existing record because it was new, and, according to the Information Resources Division, new companies are typically added to the PDM-H Master Company Hub at the end of the day. An Approvals and Permits Division project officer stated it was not unusual for these reports to be blank. Staff address the matter by contacting the Information Resources Division, and it can take 24 hours to resolve the issue. Another official in the Approvals and Permits Division stated that PDM-H develops a Tier 1 report for a new company in 24 to 48 hours.

[^34]: PHMSA Has Addressed Most Weaknesses We Identified in Its Special Permit and Approval Processes (OIG Report No. MH-2014-064), July 17, 2014. OIG reports are available on our website: [https://www.oig.dot.gov/](https://www.oig.dot.gov/).

[^35]: For example, Portal User Guide – Special Permits (2020); Project Officer Desk Guide for Approvals for RINs in the Portal (2020); Signature Authority for Desk Guide for Approvals for CAs in the Portal (2020).
Blank automated fitness reports are troublesome for applications that undergo only a Tier 1 automated review because there is no documented basis for the applicant’s fitness. They have less effect on applications that undergo Tier 2 evaluations and Tier 3 inspections because there is other, relevant fitness information available. A senior official told us it is important for application folders to contain complete documentation in case a company challenges PHMSA’s decision on its application.

After the March 2021 reorganization, OHMS directed all division chiefs to rewrite standard operating procedures and other guidelines. As of the date of this report, rewritten user guides for the software used to process approval and special permit applications were not complete. In addition, PHMSA is working to resolve this issue by upgrading the software for processing applications.

**PHMSA Does Not Fully Communicate Application Status to the Public**

Federal law requires the Secretary of Transportation to inform the public when applications for PHMSA approvals and special permits take more than 120 days to process. This information must explain why the decision has been delayed and provide an estimate of the additional time required. In December 2020, Agency

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36 49 U.S.C. § 5117 (c).
officials stated the information is located on PHMSA’s public website. However, when we tested the hyperlinks on the site, they were inactive.

We notified PHMSA officials, and they activated the hyperlinks, but some required information was missing. While the webpage on special permit applications had fields for estimated completion date and reason for delay, only the first field was populated. The webpage on approval applications, however, had neither the estimated completion date field nor the reason for delay field.

After we brought these control weaknesses to PHMSA’s attention, an official in one branch stated the Agency was unaware of the requirement to provide this information. An official in another branch stated that project officers enter estimated completion dates for special permits when they are confident about the information.

An OHMS official informed us that they are working with the Information Resources Division to update the approvals website and the software for processing these applications. As of the date of this report, the estimated completion date and reason for delay data fields had been updated in 18 of 47 special permit applications. In addition, the Agency added a reason for delay field—without the data—to the approvals application website but did not add an estimated completion date field.

As a result, PHMSA did not fully meet the requirements of the law and the application review process is less transparent. Additionally, until the Agency completes updates to guidelines and the Field Operations Manual, it may operate with continued delays due to fitness inspection prioritization weaknesses and increased risk regarding quality control items, risk assessments, and approval referrals. Finally, without reliably linked applicant, incident, and enforcement data and updated software for automated fitness reports; PHMSA cannot ensure that its fitness assessments are based on accurate data and complete records.

Conclusion

Thoroughly and effectively reviewing applicant fitness is one means by which PHMSA helps ensure companies transport hazmat safety. Through its three-tier process, the Agency can establish a basis for determining whether a company has the knowledge, capability, and performance record to safely move hazmat in important and innovative ways. Without timely fitness reviews and complete

policies and procedures, PHMSA’s ability to enhance public safety and facilitate the timely transportation of goods and services may be inhibited.

Recommendations

To improve PHMSA’s implementation of Federal requirements for conducting fitness reviews of applicants seeking hazmat approvals or special permits, we recommend the Pipeline and Hazardous Material Safety Administrator:

1. Develop and implement a plan to complete an automated tool for tracking safety profile evaluations.

2. Conduct a historic analysis and use the results as the basis for timeliness goals for Tier 2 evaluations and Tier 3 inspections in the revised Field Operations Manual.

3. Develop and implement a plan that updates the interagency agreement for processing approval and special permit applications, including details for conducting Tier 2 evaluations and Tier 3 fitness inspections within the 120-day goal.

4. Update the various software for processing applications by adding a field for the fitness inspection report number.

5. Update the Case Management System by adding a field to identify the application tracking number associated with a fitness inspection.

6. Develop and implement a plan to complete revision of the Field Operations Manual, directing that fitness memorandums include additional information identifying relevant inspections, using quality control items, and conducting risk assessments.

7. Synchronize the revised Approvals Program Desk Guide and the revised risk-based guidelines for referring foreign cylinder applicants.

8. Develop and implement a plan to complete an assessment of PHMSA oversight of U.N. Third-Party Packaging Certification Agencies and other independent entities that monitor approval and special permit holders.

9. Develop and implement guidelines on prioritizing fitness inspections along with other types of inspections.

10. Develop and implement a mechanism to improve the linking of applicants with incident and enforcement data.
11. Develop and implement a plan to revise application processing software and associated user guides, with instructions to replace blank automated fitness reports.

12. Develop and implement a plan to update PHMSA’s website on delayed application status with all required data.

Agency Comments and OIG Response

We provided PHMSA with our draft report on February 1, 2022, and received its formal response on March 3, 2022. PHMSA’s response is included in its entirety as an appendix to this report.

We made 12 recommendations to improve PHMSA’s implementation of Federal requirements for conducting fitness reviews. PHMSA concurred with all 12 recommendations and proposed appropriate actions and completion dates. Accordingly, we consider them resolved but open pending completion of planned actions.

Actions Required

We consider recommendations 1 through 12 resolved but open pending completion of planned actions.
This performance audit was conducted between July 2020 and January 2022. We conducted this audit in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objective of this self-initiated audit was to assess PHMSA’s implementation of Federal requirements for conducting fitness reviews of applicants seeking hazardous materials approvals or special permits. Specifically, we analyzed (1) PHMSA’s three-tier process for reviewing applicants’ fitness and (2) internal controls the Agency employed to conduct those reviews and communicate the results, as required.

Our audit scope included applications for approvals and special permits submitted to PHMSA in fiscal years 2018 and 2019. We relied on PHMSA data to develop a universe of applicants that would have undergone fitness reviews. After initial data tests, we requested additional data, which we found sufficiently reliable to select audit samples. Since the data did not identify the specific fitness review type, we developed methodology to do so. Specifically, for Tier 1, we selected applicants for which PHMSA did not conduct a Tier 2 evaluation. For Tier 2, we selected applicants for which the Agency conducted a Tier 2 evaluation. However, since that group also included applicants who underwent a Tier 3 inspection, we worked with PHMSA to identify applicants who underwent such inspections. As a result, we identified a universe of 10,436 approval and special permit applicants: 10,149 that had only a Tier 1 review; 256 that had a Tier 2 evaluation; and 31 that had a Tier 3 inspection. From this universe, we developed statistical samples of 69 Tier 1 applicants and 56 Tier 2 applicants. We analyzed those samples and all 31 Tier 3 applicants. We found that with each tier, data complexities increased (e.g., OHMS concurrently inspected foreign cylinder manufacturers and their IIAs). We excluded Tier 3 applicants for various reasons. For example, we excluded 5 of 31 records from our Tier 3 timeliness analysis that examined work plan data because of unclear or limited prior system files. Similarly, we excluded 5 of 31 records from our Tier 3 process analysis because these applicants did not receive an onsite inspection. As a result, we used

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38 The data included all applicants who submitted documents for approvals and special permits. We removed applications that would not have undergone fitness reviews (i.e., fireworks or explosives classifications and submissions PHMSA rejected for being incomplete).
26 applicants to conduct our Tier 3 analyses. We did not analyze Tier 2 evaluations or Tier 3 inspections conducted by other Federal agencies.

To analyze PHMSA’s implementation of Federal requirements for reviewing applicants’ fitness, we evaluated documentation and data in PDM-H electronic folders and investigative records for applications in our sample. We reviewed PHMSA’s Operational Workflow Document, Special Permits & Approvals Governance Framework to identify the Agency’s goal for processing approval and special permit applications. We interviewed PHMSA senior leaders, project officers, fitness coordinators, and investigators to provide clarifying information. We also interviewed National Transportation Safety Board and Chlorine Institute officials to obtain their perspectives on PHMSA’s fitness reviews.

To analyze PHMSA’s internal controls for conducting and communicating results of fitness reviews, we compared requirements in the HMR; Approvals Program Desk Guide; Special Permits Program Desk Guide; the Field Operations Manual; and Agency guidelines on referring applications for Tier 2 evaluations. To assess data quality, we compared PHMSA data with the documentation in electronic folders and investigative records. When we identified data that appeared to be incorrect, we discussed these issues with PHMSA Information Resources Division officials. To analyze PHMSA’s reporting of aging applications to the public, we examined the information contained on the Agency’s public website and compared it to U.S. Code requirements.
Exhibit B. Organizations Visited or Contacted

**PHMSA Facilities**

- Office of the Chief Financial Officer, Information Resources Division
- OHMS, Approvals and Permits Division
- OHMS, Field Services Support Division
- OHMS Central Region
- OHMS Eastern Region
- OHMS Southern Region
- OHMS Western Region

**Other Organizations**

- Chlorine Institute
- Hazmat Safety Consulting
- National Transportation Safety Board
### Exhibit C. List of Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CFR</td>
<td>Code of Federal Regulations</td>
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<tr>
<td>DOT</td>
<td>Department of Transportation</td>
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<tr>
<td>DUNS</td>
<td>Data Universal Numbering System</td>
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<tr>
<td>FAA</td>
<td>Federal Aviation Administration</td>
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<tr>
<td>FMCSA</td>
<td>Federal Motor Carrier Safety Administration</td>
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<td>FRA</td>
<td>Federal Railroad Administration</td>
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<td>GAO</td>
<td>Government Accountability Office</td>
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<td>Hazmat</td>
<td>Hazardous Materials</td>
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<td>HMR</td>
<td>Hazardous Materials Regulations</td>
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<td>IIA</td>
<td>Independent Inspection Agency</td>
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<td>M-Number</td>
<td>Manufacturer Number</td>
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<tr>
<td>OHMS</td>
<td>Office of Hazardous Materials Safety</td>
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<td>OIG</td>
<td>Office of Inspector General</td>
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<tr>
<td>PDM-H</td>
<td>PHMSA DataMart for Hazmat</td>
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<tr>
<td>PHMSA</td>
<td>Pipeline and Hazardous Materials Safety Administration</td>
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<tr>
<td>USCG</td>
<td>United States Coast Guard</td>
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<tr>
<td>VIN</td>
<td>Visual Identification Number</td>
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### Exhibit D. Major Contributors to This Report

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
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<tbody>
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<td>George Zipf</td>
<td>Senior Mathematical Statistician</td>
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MEMORANDUM

From: Tristan H. Brown
Deputy Administrator
Pipeline and Hazardous Materials Safety Administration

To: David Pouliott
Assistant Inspector General for Surface Transportation Audits


The Pipeline and Hazardous Materials Safety Administration (PHMSA) Office of Hazardous Materials Safety (OHMS) is committed to protecting the public and the environment by advancing the safe transportation of energy and other hazardous materials (“hazmat”) that are essential to our daily lives. In the United States, there are approximately one million shipments of regulated hazardous materials each day. More than 3.3 billion tons of hazardous materials—valued at more than $1.9 trillion—are transported by air, highway, rail, and sea vessel in the United States each year. All of these shipments are required to comply with the standards and safety regulations prescribed by PHMSA’s Hazardous Materials Regulations (HMR). OHMS ensures companies transport hazmat safely by thoroughly and effectively reviewing the fitness of applicants.

OHMS has several efforts under way to improve its implementation of Federal requirements for conducting fitness reviews of applicants seeking hazmat approvals or special permits. Based on our review of the draft report, we concur with all 12 recommendations as written. We plan to complete recommendations 1, 3, 4, 5, 6, 7, 11, and 12 by July 30, 2022; recommendation 9 by September 30, 2022; and recommendations 2 and 8 by January 30, 2023. Recommendation 10 may require rulemakings and significant software development that will take several years to complete. For example, cross-linking entities across multiple PHMSA platforms such as registration, special permits, approvals, and other existing databases may require PHMSA to request additional specific and unique identifying information from companies—to include information that is not currently collected by the agency. This could in turn trigger information collection requirements and potentially require amendments to program procedures codified in
the existing hazardous materials regulations. PHMSA intends to develop a plan with detailed milestones by February 15, 2023, to address implementation of the recommendation.

We appreciate the opportunity to review the OIG draft report. Please contact William Quade, Deputy Associate Administrator for PHMSA’s Office of Hazardous Materials Safety, at (202) 366-6873 with any questions.
U.S. Department of Transportation
Office of Inspector General

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