

TOP MANAGEMENT CHALLENGES

Department of Transportation

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Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** DOT's Top Management Challenges
PT-2004-006

Date: December 5, 2003

From: Kenneth M. Mead
Inspector General

Reply to
Attn. of: J-1

To: The Secretary
The Deputy Secretary Designate

The Office of Inspector General (OIG) has identified 10 top management challenges for the Department of Transportation (DOT) for fiscal year (FY) 2004. In considering the items for the FY 2004 list, we continue our focus on the Department's key responsibilities for transportation safety and efficiency.¹

These management challenges are complicated by the current Government and transportation environment: we have entered a period of deficit spending; trust fund revenues are down; program needs are up; and the Department has pending reauthorizations in intercity passenger rail, highways, motor carriers, and transit. The exhibit to the report compares this year's list of management challenges with the list we published in FY 2003.

In our opinion, the Department is making real progress on most of its management challenges, either through implementing changes or by developing detailed plans to do so in the near future.

The OIG's list of DOT's top management challenges for FY 2004 are summarized below and presented in greater detail beginning on page 5. This report will be incorporated into the DOT Accountability Report, as required by law.

¹ We removed items related to the Coast Guard and the Transportation Security Administration, since those agencies left DOT in 2003.

- **Highway Safety.**² Taking aggressive action to prevent drivers from obtaining Commercial Driver's Licenses (CDLs) through kickbacks or other fraudulent schemes (of the over 40,000 annual highway fatalities, 11 percent involve large trucks); strengthening the system used to identify high-risk motor carriers for review; implementing the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act to facilitate proactive identification of vehicle safety defects; and continuing to support programs for primary enforcement of seat belt laws and prevention of drug-impaired driving (page 5).
- **Aviation Safety.** Ensure Federal Aviation Administration (FAA) safety oversight keeps pace with industry and economic changes such as significant increases in contracting of aircraft maintenance to third parties. Also, there has been real progress in the last year on runway incursions (potential collisions on the ground), but operational errors (when air traffic controllers allow planes to come too close together in the air) continue to increase. Corrective actions are imperative to address this ongoing safety problem (page 7).
- **Hazardous Materials Safety and Security.** For safety and cost-effectiveness reasons, the Department needs to take aggressive steps to coordinate hazardous materials (HAZMAT) inspection and enforcement efforts among the modal administrations in order to leverage limited HAZMAT inspection resources. This would include an education program and inspection/enforcement strategies for dealing with a common shipper who causes problems across several of the Department's modes, such as a noncompliant HAZMAT shipment that uses motor carrier, rail, and air to move from origin to destination (page 10).
- **Protecting Taxpayer Investments in Highway and Transit Infrastructure Projects.** Improve the taxpayers' return on highway and infrastructure investments by: imposing meaningful debarment sanctions on firms that provide substandard materials or in other ways defraud highway and transit infrastructure projects; aggressively fighting motor fuel tax evasion—a drain on highway and transit revenues; and strengthening oversight of infrastructure projects to ensure they are delivered on-time and within budget. Even if these steps result in only a 1 percent savings, they could have a dramatic impact on the taxpayers' bottom line. For instance, if the efficiency with which the Federal Government and the states invested \$700 billion in highway projects

² We removed the related item from last year's list on "Ensuring Highway Safety as the Southern Border Is Opened to Mexican Motor Carriers Under the North American Free Trade Agreement." The Department geared up sufficiently to provide safety oversight at the border, but then the border opening was delayed pending completion of an Environmental Impact Statement (EIS) and a Clean Air Act analysis being done as a result of an order by the Ninth Circuit Court of Appeals. Additionally, the Department of Justice filed a certiorari petition seeking Supreme Court review of the Appeals Court decision. We took this item off the top management challenges list because there is little the Department can do to address this matter until completion of the EIS and the Clean Air Act analysis and resolution of the legal issues.

over the last 6 years had been improved by only 1 percent, an additional \$7 billion would have been made available—enough to fund 8 of the 15 active major highway projects (page 12).

- **Improve Fiscal Discipline at FAA.** FAA plans to address cost growth in operations and fundamental problems in major acquisitions. These actions are urgently needed, given an expected multi-billion-dollar decline in Aviation Trust Fund revenues. Continued salary increases on the scale experienced over the last few years are simply unsustainable in light of these revenue losses. The budget situation also makes it imperative that FAA act promptly to address fundamental weaknesses in its modernization acquisitions. Of the 20 major acquisitions we reviewed, 13 projects experienced schedule slips of 1 to 7 years and 14 projects experienced cost growth of over \$4.3 billion—significantly more than FAA’s entire FY 2004 request for modernization (page 15).
- **Intercity Passenger Rail.** DOT and Congress have required much greater financial accountability from Amtrak this year. However, Amtrak’s authorization expired over a year ago. Without a new structure for the governance of intercity passenger rail agreed to by the interested parties, Amtrak will continue the *status quo* limp-along system that is financially dysfunctional and fails to satisfy mobility needs in corridors between city pairs. The Administration currently has a reauthorization proposal on Capitol Hill; however, achieving agreement among the Administration, the Congress, the states, and other interested parties on a final reauthorization measure is a tremendous challenge only partly under DOT’s control (page 19).
- **MARAD Loan Guarantee Program.** The Maritime Administration (MARAD) is in the process of implementing a series of recommendations we made to the Secretary and the Congress on how best to minimize financial loss to the Government from MARAD’s \$3.8 billion Title XI Loan Guarantee Program, which is designed to assist private companies in obtaining financing for the construction of ships or the modernization of U.S. shipyards. Congress has linked MARAD’s ability to issue further guarantees to its successful implementation of our recommendations (page 21).³
- **Financial Accountability.** There has been progress in the last year in this area, but DOT still has a long way to go to strengthen three important financial management activities. First, DOT needs to free up millions in inactive

³In the FY 2003 list, we removed the item related to MARAD’s disposal of obsolete vessels. MARAD has made progress in contracting for the disposal of obsolete vessels from the National Defense Reserve Fleet; however, environmental concerns and legal proceedings have hindered these efforts. If these concerns are not resolved and additional progress is not made in meeting the legislative mandate to dispose of obsolete vessels by the end of FY 2006, we will consider including this issue as a top management challenge in the FY 2005 report.

obligations or idle funds, especially at the Federal Highway Administration (FHWA). Second, improve oversight of cost-reimbursable contracts which have few inherent protections against cost overruns. Third, complete implementation of the new Delphi financial management system, which will enable DOT to strengthen financial controls and generate reliable financial reports (page 23).

- **Disadvantaged Business Enterprise Program.** The Disadvantaged Business Enterprise (DBE) Program suffers from a high level of fraud and abuse as well as significant gaps in the Department's oversight. We are currently investigating 40 DBE fraud schemes in 19 states. Over the last 5 years, our DBE investigations have resulted in 29 convictions. We have also found areas where the DBE regulations need strengthening. For instance, the DBE regulations covering airport concessions need to prescribe a personal net worth limit for the owner of a DBE. The Secretary established a senior level DBE task force this year, but the task force must now make tangible and prompt progress in strengthening the DBE Program (page 26).
- **Information Technology Management.** This past year, the Department made progress in protecting its critical Information Technology (IT) systems against Internet intrusions. However, DOT is still behind in securing individual systems and must do more to protect critical IT systems (especially air traffic control systems) from attack and enhance contingency planning to ensure business continuity in an emergency. In addition, DOT must strengthen its new Investment Review Board to improve the Board's ability to oversee high-risk modal IT acquisitions and maximize returns on the Department's \$2.7 billion in annual IT investments (page 28).

Another area we wish to mention is the issue of human resources management. In the coming year, the Department's senior management needs to consider whether it will be at serious risk of not being able to recruit and retain top talent. Our concern is based not only on the large percentage of DOT staff expected to retire or reach retirement eligibility in the next few years, but the fact that none of the DOT agencies, except FAA, have personnel rules and pay flexibility that have been granted to the Department of Homeland Security and the Department of Defense. This may place DOT at a disadvantage at the very time the Department is expected to lose large numbers of experienced staff and needs to recruit top talent to replace them.

If you have any questions concerning this report, please call me at (202) 366-1959; Todd J. Zinser, my Deputy, at (202) 366-6767; or Alexis M. Stefani, Principal Assistant Inspector General for Auditing and Evaluation, at (202) 366-1992.

1 Highway Safety. Taking aggressive action to prevent drivers from obtaining Commercial Driver's Licenses (CDLs) through kickbacks or other fraudulent schemes; strengthening the system used to identify high-risk motor carriers for review; implementing the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act to facilitate proactive identification of vehicle safety defects; and continuing to support programs for primary enforcement of seat belt laws and prevention of drug-impaired driving.

In 2002, 42,815 people were killed and more than 2.9 million were injured in traffic crashes on the Nation's highways. Fatalities reached the highest level since 1990, increasing by 1.5 percent from 2001. Although fatalities involving large truck crashes have continued to decline, one out of nine traffic fatalities in 2002 resulted from crashes involving large trucks.

To achieve the Department's 2008 goals of reducing all traffic fatalities to 1 per 100 million vehicle miles traveled and large truck fatalities to 1.65 per 100 million vehicle miles traveled, the Federal Motor Carrier Safety Administration (FMCSA) and the National Highway Traffic Safety Administration (NHTSA) need to attack a range of challenging problems. FMCSA must ensure that only drivers with the requisite skills obtain and retain CDLs by:

- Curbing CDL fraud through more rigorous oversight of state testing programs and by having states adopt useful control techniques we have recommended such as the covert monitoring of driver examiners.
- Promptly implementing revisions to the CDL program passed by Congress in 1999 that strengthen the regulatory framework of the program, such as a provision eliminating state programs that mask or withhold convictions from a commercial driver's record.

FMCSA must also improve tools used to select high-risk motor carriers for compliance reviews by taking aggressive steps to obtain more complete and accurate data. States now fail to report to FMCSA an estimated one-third of large trucks involved in crashes annually, impacting the effectiveness of the model used to target unsafe carriers for compliance reviews.

NHTSA has made significant progress implementing the TREAD Act, successfully completing 20 of the Act's 22 requirements (i.e., rulemakings, reports, or studies). NHTSA must fully implement its new safety defect

information system, called the Advanced Retrieval (Tire, Equipment, Motor Vehicles) Information System, to receive and store early warning reporting information to be submitted by manufacturers beginning in December 2003. In FY 2004, NHTSA must ensure that its screeners and investigators are able to: (1) analyze, in a thorough and timely manner, the large volume of manufacturers' information expected; and (2) appropriately use that information to determine when to open and how to prioritize vehicle defect investigations.

Any discussion of highway safety would be incomplete without coverage of use of safety belts and prevention of driving under the influence of alcohol and drugs. DOT, NHTSA, and the states have made impressive progress this year on increasing the use of safety belts—a top management challenge last year. This important initiative deserves continuing emphasis, as do programs to prevent driving under the influence of alcohol and drugs.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *Review of NHTSA's Progress in Implementing Strategies to Increase the Use of Seat Belts*
- *Improving the Testing and Licensing of Commercial Drivers*
- *Progress and Challenges in Implementing the TREAD Act*
- *NHTSA Office of Defects Investigation*
- *Disqualifying Commercial Drivers*

2 Aviation Safety. Ensure Federal Aviation Administration (FAA) safety oversight keeps pace with industry and economic changes while maintaining a focus on long-standing safety issues.

The U.S. aviation industry continues to be the safest in the world, with only one commercial accident occurring in the past year. However, FAA must adjust its safety oversight to emerging trends in the aviation industry and changing economic conditions. Also, there has been real progress in the last year on runway incursions (potential collisions on the ground), but operational errors (when air traffic controllers allow planes to come too close together in the air) continue to increase. Corrective actions are imperative to address this ongoing safety problem.

Repair Station Oversight Needs to Be Enhanced. In a July 2003 report, we identified three ways that FAA needs to enhance its inspections of airline maintenance.

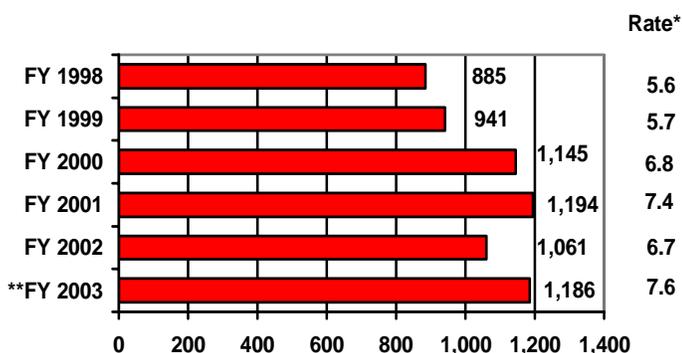
- While air carriers have turned increasingly to outside, contracted repair stations, FAA continues to focus its inspection resources on air carriers' in-house maintenance work. Air carriers have outsourced portions of their maintenance work for years, but this practice has recently become more pronounced. While major air carriers outsourced 37 percent of their aircraft maintenance expense in 1996, the amount spent on outsourced maintenance increased to 47 percent of maintenance costs in 2002. Yet, over 90 percent of FAA's inspections are still focused on in-house maintenance—leaving contract repair stations inadequately reviewed. In response to our audit, FAA agreed to develop a new process to identify repair stations that air carriers use to perform safety-critical repairs and target inspector resources to those facilities.
- Although widely used by some air carriers, some FAA-certified foreign repair stations are not inspected by FAA inspectors at all because other civil aviation authorities review these facilities on FAA's behalf. This arrangement helps prevent duplicative inspections and reduce the financial burden on foreign repair stations. However, in 14 of 16 (88 percent) files we reviewed, we found that foreign inspectors did not provide FAA with sufficient information to determine what was inspected, what problems were found, and how they were corrected. This occurred because FAA had not implemented adequate oversight procedures for ensuring the quality of inspections conducted on its behalf. FAA has agreed to conduct follow-up reviews with the three foreign aviation authorities conducting inspections on its behalf and develop a procedure to verify that the authorities place adequate emphasis on FAA regulations when conducting their inspections.

- Our review of repair stations disclosed weaknesses in repair station operations at 18 of the 21 (86 percent) facilities we visited. For example, we identified repair stations that did not: (1) use the parts required by the maintenance manual; (2) properly calibrate tools and equipment; (3) have information on file to show that mechanics approving completed repairs were qualified to do so; or (4) correct deficiencies previously identified by FAA inspectors. These weaknesses went undetected by FAA surveillance because of the weaknesses in FAA's oversight structure and the process inspectors used during repair station inspections. In response to our audit, FAA agreed to develop a more comprehensive approach to repair station surveillance.

When implemented, FAA's proposed changes to address our audit findings should enhance its oversight of aircraft repair stations. The key will be follow-through.

FAA Must Reduce the Number of Operational Errors. Operational errors (when air traffic controllers allow planes to come too close together in the air) pose a significant safety risk, with an average of three operational errors per day and one serious error every 7 days. In FY 2003, the number of operational errors increased 12 percent to 1,186, or 125 more than the number of incidents that occurred in FY 2002, as shown in Figure 1. Further, the most serious errors (those in which a collision was barely averted) increased 25 percent, from 44 in FY 2002 to 55 in FY 2003. Moreover, the

**Figure 1. Operational Errors
FY 1998—FY 2003**



* Rate is per 1 million air traffic operations.

** FY 2003 numbers are preliminary and will be finalized in January 2004.

system FAA uses to rate errors may understate the number of serious errors that occur. FAA classifies the seriousness of operational errors as high, moderate, or low. However, we found that errors FAA classified as moderate could result in catastrophic consequences. For example, FAA rated one error as moderate that was less than 12 seconds from a midair collision.

FAA needs to ensure that air traffic controllers who make operational errors receive training. FAA also should closely evaluate the impact of its Controller-in-Charge (CIC) Program on the increase in operational errors. Operational errors that occurred while a CIC was on duty increased 43 percent

from 174 in FY 2002 to 248 in FY 2003. Finally, FAA must modify its rating system to more accurately identify the most serious operational errors, focus on reducing them, and ensure that controllers receive the appropriate training after they have experienced a high risk error.

In response to our April 2003 report, FAA agreed to re-evaluate its severity rating system for operational errors. However, to date, FAA has not completed that evaluation. FAA also agreed to take steps to more closely monitor its CIC Program, improve its oversight of regional efforts to reduce operational errors, and provide training to controllers.

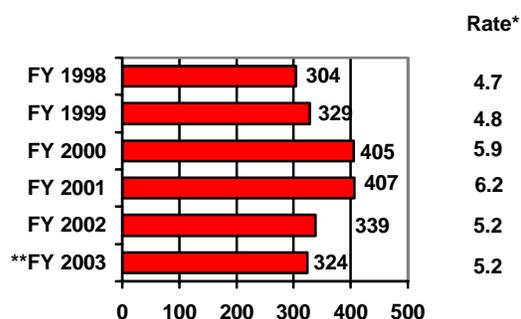
FAA Must Continue to Reduce Runway Incursions. For the second year in a row, runway incursions (potential collisions on the ground) continued to decline, from 339 in FY 2002 to 324 in FY 2003, as shown in Figure 2. FAA also reduced the number of close calls (those runway incursions in the 2 highest categories) from 37 in FY 2002 to 32 in FY 2003. While this represents significant progress, there is still an average of almost one runway incursion per day and an average of one close call every 11 days.

In view of the potential loss of life in a runway accident, FAA must continue its aggressive approach to reduce runway incursions. Specifically, FAA needs to follow through on its plans to train pilots to avoid runway incursions and use technology to warn pilots and controllers of potential incidents.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *Review of Air Carriers' Use of Aircraft Repair Stations*
- *Operational Errors and Runway Incursions: Progress Made, but the Numbers of Incidents is Still High and Presents Serious Safety Risks*
- *Air Transportation Oversight System*
- *FAA Oversight of Passenger Aircraft Maintenance*
- *Oversight of FAA's Aircraft Maintenance, Continuing Analysis and Surveillance Systems*

**Figure 2. Runway Incursions
FY 1998—FY 2003**



* Rate is per 1 million tower operations.

** FY 2003 numbers are preliminary and will be finalized in January 2004.

3 Hazardous Materials Safety and Security. For safety and cost-effectiveness reasons, the Department needs to take aggressive steps to coordinate hazardous materials (HAZMAT) inspection and enforcement efforts among the modal administrations in order to leverage limited HAZMAT inspection resources. This would include an education program and inspection/enforcement strategies for dealing with a common shipper who causes problems across several of the Department's modes.

The dual role of ensuring the safety and security of HAZMAT shipments is an enormous challenge for DOT. More than 800,000 HAZMAT shipments are made daily by air, water, rail or highway, with more than 94 percent of the shipments transported by highway.

DOT has invested upwards of \$100 million in the last 2 fiscal years in HAZMAT programs, but it has not successfully coordinated its efforts in order to maximize the possible impact of the program. HAZMAT incidents over several years demonstrate the importance of improving DOT's efforts in this area. While most HAZMAT incidents are not as catastrophic as the 1996 crash of ValuJet Airlines Flight 592 in the Florida Everglades, caused by an in-flight fire from improperly packaged oxygen generators, DOT reports that HAZMAT incidents have been on the upswing, predominantly highway and air incidents. Over the 11-year period 1990 to 2000, incidents involving the transport of HAZMAT by motor carriers have doubled from 7,296 to 14,743 and incidents involving HAZMAT shipments by air carriers have tripled from 470 to 1,415. DOT also reports that HAZMAT civil penalty collections for all modes of transportation doubled from \$5.2 million in FY 1990 to \$11.1 million in FY 1998, the most current data available.

DOT needs to centralize its cross-modal HAZMAT inspection and enforcement activities, given DOT resource constraints and the safety and security implications of a serious HAZMAT incident, intentional or not. Prior reform efforts have not worked; DOT's HAZMAT authority is exercised by the Research and Special Programs Administration (RSPA), FMCSA, Federal Railroad Administration (FRA), and FAA, with minimal coordination among the various modes.

Coordinating inspection and enforcement efforts among modal administrations will enable the Department to leverage its limited inspection resources, thus increasing both the effectiveness and number of HAZMAT shipment inspections. Examples of better coordination would be allowing one modal administration to clear a shipment that would eventually be shipped through more than one mode (i.e., 55-gallon drums of ammonium nitrate shipped via rail from one location and

then trucked from there would only have to be inspected once). DOT also needs the capacity to identify and effectively marshal its resources when several of the Department's modes are experiencing problems with the same shipper or transporter of HAZMAT.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *Departmentwide Program Evaluation of the Hazardous Materials Transportation Programs*

4 Protecting Taxpayer Investments in Highway and Transit Infrastructure Projects. Continue efforts to ensure that highway and transit projects are delivered on-time, within budget, and free from fraud; and aggressively fight motor fuel tax evasion, which is a drain on revenue for the Department.

The Department's ability to achieve its strategic goals of increased mobility, improved safety, and sustained economic growth undoubtedly will be challenged in the face of an unprecedented Federal deficit of about \$374 billion, numerous states bracing against financial crises, and declining Highway Trust Fund revenues. Aggressive oversight is needed to ensure that the over \$37 billion annual Federal investment in highway and transit projects is well managed and protected from fraud. Over the last 4½ years, highway- and transit-related fraud indictments have tripled, convictions have doubled, and monetary recoveries exceeded \$89 million. There are 130 OIG investigations of infrastructure projects ongoing in 36 states.

Improvements to project oversight and efficiency can have major results. Whether funds are lost to cost overruns, schedule delays, or fraud, the result is the same—fewer resources available for important transportation projects. To illustrate, if the efficiency with which the \$700 billion invested by the Federal Government and the states over the last 6 years in highway projects had been improved by only 1 percent, an additional \$7 billion would have been made available—enough to fund 8 of the 15 active major highway projects. Fraud also continues to increase costs on infrastructure projects.

In addition to ensuring that funds are spent effectively, the Department must ensure that all tax dollars due to the Highway Trust Fund are received. Evasion of Federal motor fuel taxes is a problem that FHWA estimates deprives the Highway Trust Fund of over \$1 billion in annual revenue.

The Budget Situation. Between FY 1999 and FY 2001, Highway Trust Fund tax receipts dropped from \$39.3 billion to \$31.5 billion, a 20 percent decline. Current estimates show that between FY 2003 and FY 2006 Highway Trust Fund tax revenues will be approximately \$20 billion less than projections made in April 2001, and they are not expected to return to the FY 1999 level until FY 2008.

Delivering Projects On-Time and Within Budget. Our reviews of large highway and transit projects have disclosed that stronger stewardship of the over \$37 billion in Federal funds invested annually in highway and transit projects is essential. As evidenced by its reauthorization proposal and other initiatives, DOT's senior leadership has taken positive steps toward strengthening stewardship of highway and transit funds. Plans have been made to ensure full disclosure of costs at the

onset of projects, monitor expenditures during the life of the projects, expand FHWA's skill base and refocus its oversight activities, and debar contractors convicted of fraud. However, the Department must follow through on these plans, some of which can be done administratively.

Keeping Projects Free From Fraud. The Department must also act to ensure that highway and transit project funds are not lost to fraud. While we will continue our investigative focus in this area, the Department can take several steps to protect its interests against fraud, such as: (1) establishing a vigorous departmentwide debarment and suspension policy; (2) allowing recoveries and civil penalties to be retained by the states; (3) holding recipients accountable for aggressive oversight of their programs; (4) increasing scrutiny of cost proposals, change orders, and claims; and (5) providing specialized fraud prevention training at the state level.

Preventing Motor Fuel Tax Evasion. While legislative changes have brought about significant progress in combating motor fuel tax evasion (which FHWA estimates costs \$1 billion in revenue each year), a more vigorous and collaborative enforcement effort by state and Federal agencies—including the sharing of Internal Revenue Service fuel tax records—is needed to more effectively target enforcement activities.

Documented evasion techniques include daisy chains (false paper documentation), bootlegging, cocktailing/blending (mixing motor fuel with other liquids), fraudulent exemption claims, failure to file or filing false returns, and the use of jet fuel in highway vehicles. Cross-border bootlegging of fuel demonstrates the importance of cooperation between state and Federal enforcement offices. This typically occurs when there is a significant difference in the motor fuel tax charged in bordering states. The perpetrator purchases fuel and pays the associated tax in the low-tax state, then smuggles the fuel into the high-tax jurisdiction where they sell the fuel and pocket the difference in taxes. Finding and preventing this type of fraud can only occur through the efforts of Federal investigators in collaboration with enforcement teams from the states involved.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *October 2002 Finance Plan for the Central Artery/Tunnel Project*
- *Audit of the Seattle Central Link Light Rail Project's Initial Segment*
- *DOT FY 2004 Budget and Management Challenges*
- *Management of Cost Drivers on Federal-Aid Highway Projects*
- *Opportunities to Control Costs and Improve the Effectiveness of Department of Transportation Programs*

- *Controlling Costs and Improving the Effectiveness of Federal Highway Administration and Federal Transit Administration Programs*

5 Improve Fiscal Discipline at FAA. Controlling operations cost growth and addressing fundamental problems with major acquisitions.

FAA's FY 2005 authorization of \$14.6 billion currently exceeds estimated Aviation Trust Fund FY 2005 revenues by \$3.5 billion. Over the next 4 years, the Fund is expected to collect about \$12.5 billion less in taxes than was anticipated in April 2001. Within this context, it is imperative that FAA contain the trend of continued cost growth in its operations and address long-standing and fundamental problems with major acquisitions.

Abating Operating Cost Growth. FAA's operations budget, which primarily covers salaries, has increased from \$4.6 billion in FY 1996 (the first year of personnel reform) to \$7.7 billion requested for FY 2005, a 67 percent increase. Given the substantial decline in Aviation Trust Fund revenues, a sizeable challenge for the Agency will be to manage within an operating budget that is relatively flat. For instance, the \$7.7 billion requested for FY 2005 operations represents an increase of \$141 million over FY 2004 levels; however, estimated pay increases for FY 2005 alone are expected to be nearly \$180 million.

Further, within the proposed \$7.7 billion, FAA will incur additional costs to hire and train new controllers as the Agency begins to address the anticipated wave of controller retirements. FAA estimates that about 7,100 controllers could leave the Agency by the end of 2012. A key challenge for FAA will be to reduce the time and cost required to train new controllers—in some cases this process can take up to 7 years. FAA will also need to renegotiate existing work rules that allow some newly hired controllers to earn base salaries of up to \$94,000 while in training.

To abate the growth in operating costs, FAA needs to have both its cost accounting and labor distribution systems in place and operating effectively, and it needs to renegotiate memorandums of understanding (MOUs) between FAA and labor that have extensive cost implications.

- FAA must have its cost accounting system in place and operating effectively to accurately know when and where costs are incurred. FAA also needs an accurate labor distribution system to track the costs and productivity of its workforces. An accurate labor distribution system is critical for determining how many controllers FAA will need and where they are needed—information that is particularly important in light of the pending wave of controller retirements. FAA is planning on implementing a labor distribution system called CRU-X for the Air Traffic line of business (FAA's largest workforce). However, in September 2002, FAA entered into an MOU with the controllers'

union that eliminated many of the system's internal controls and severely limited the system's ability to track employee productivity. In our June 3, 2003 assessment of FAA's cost accounting system, we cited the lack of those fundamental procedures as a serious internal control weakness. In response, FAA agreed to implement satisfactory internal controls for CRU-X and has begun correspondence with the controllers' union to reopen negotiations concerning the CRU-X MOU. The new Chief Operating Officer (COO) for the Air Traffic Organization has committed to putting FAA's cost accounting and labor distribution systems in place.

- FAA will also need to address provisions of MOUs with labor that have extensive cost implications. In our September 2003 report "FAA's Management and Controls Over MOUs," we found that under the flexibility of personnel reform, FAA managers and union representatives entered into numerous memorandums of understanding that had substantial cost implications, but managers had not adequately considered the impact on future budgets. For example, one MOU we reviewed provides controllers with a cost-of-living differential of between 1 and 10 percent that is in addition to Government-wide locality pay. In FY 2002, this additional premium pay cost FAA over \$35 million. In response to our audit, FAA implemented new controls over its MOU processes, and is currently in negotiations with the controllers union to modify or rescind several problematic MOUs identified during our audit.

Addressing Fundamental Problems in Major Acquisitions. In June 2003, we reported that of 20 major acquisitions reviewed, 13 projects had experienced schedule slips of 1 to 7 years, and 14 projects had experienced cost growth of over \$4.3 billion (increasing from \$6.8 billion to \$11.1 billion). This growth represents significantly more than FAA's FY 2004 \$2.9 billion request for modernization. Continued growth of this magnitude is unsustainable, given the multi-billion-dollar declines in projected Aviation Trust Fund receipts and the projected fund levels authorized in FAA's Facilities and Equipment account, which will remain essentially flat (\$3 billion to \$3.1 billion range) for FYs 2004 to 2007.

Table 1 provides cost and schedule information on three projects largely managed since FAA was granted acquisition reform in 1996. Cost and schedule problems with modernization efforts have serious consequences because they result in costly interim systems, a reduction in units procured, postponed benefits (in terms of safety and efficiency), or crowding out other modernization projects.

**Table 1. Cost and Schedule Growth
in Three Major Modernization Programs**

Program	Estimated Program Costs (Dollars in Millions)		Percent Cost Growth	Implementation Schedule		Schedule Delay
	Original	Current		Original	Current	
Wide Area Augmentation System (WAAS)	\$892.4	\$2,922.4*	227%	1998-2001	2003-TBD**	5 years
Standard Terminal Automation Replacement System (STARS)	\$940.2	\$1,690.2	80%	1998-2005	2002-2012**	7 years
Local Area Augmentation System (LAAS)	\$530.1	\$696.1	31%	2002-TBD	2006-TBD**	4 years

* This includes the cost to acquire geostationary satellites.

** TBD—To Be Determined (costs and schedules are under review).

Our work has identified a number of systemic problems of major acquisitions that will require sustained management attention. These problems include: committing to major acquisitions and entering into cost-reimbursable contracts before user needs and requirements are fully understood; misleading and unreliable cost and schedule estimates; lack of centralized control over acquisitions and lack of basic contract oversight; lack of performance measures for assessing progress; and not holding managers and contractors accountable for cost growth and schedule slips. We have seen positive signs that the FAA Administrator and the COO are committed to making changes—the key will be follow through.

Additionally, FAA is beginning new, costly, and complex programs while still funding programs that are significantly behind schedule. This stretches out program schedules, impacts other efforts, and has cash-flow implications for the entire modernization account. One new effort is the En Route Automation Replacement (ERAM) Program, which provides new hardware and software for facilities that manage high altitude traffic. Another new project is the Next Generation Air-to-Ground Communications (NEXCOM) Program, which will provide new radios and related systems to transition to digital communications. Together, ERAM and NEXCOM are estimated to cost more than \$3 billion.

Any cost increases with these programs will have a cascading effect on other efforts and limit FAA's flexibility to begin other projects. FAA will need to watch this situation and may have to rearrange priorities, modify contract instruments, and modify requirements.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

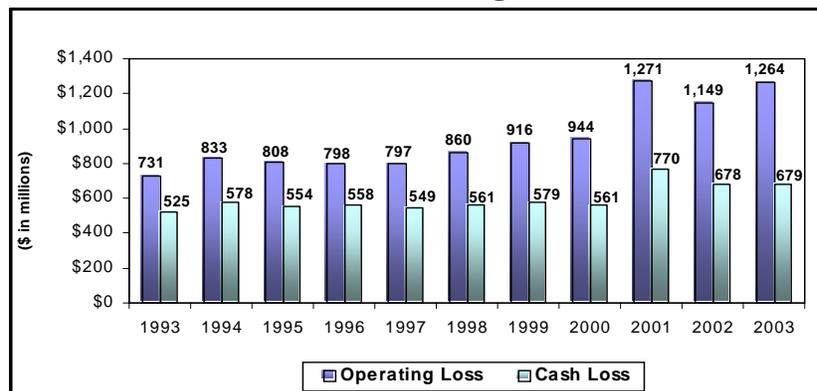
- *FAA's Management of Memorandums of Understanding with the National Air Traffic Controllers Association*
- *FAA Needs to Reevaluate STARS Costs and Consider Other Alternatives*
- *Status of FAA's Major Acquisitions*
- *Cost Control Issues for the Federal Aviation Administration's Operations and Modernization Accounts*
- *FAA's National Airspace System Implementation Support Contract*

6 Intercity Passenger Rail. Restructure the intercity passenger rail system to match fiscal capacity.

DOT should continue to work with the Congress to break the cycle of appropriations without authorization for Amtrak and to realign the size, operations, and governance of the intercity passenger rail system to match the levels of funding available from all sources. For FY 2004, the Administration requested \$900 million, while Amtrak maintains it needs \$1.8 billion. Without a fundamental change in the structure of the intercity passenger rail system or an unprecedented and ultimately unsustainable boost in funding for the existing system, Amtrak will continue to limp from one financial crisis to another, unable to maintain its rails and equipment and provide acceptable service. While the Administration has proposed a bill that confronts several key issues in a straightforward and comprehensive manner, it remains silent on the source and level of funding necessary.

Amtrak continues to have operating losses on all but a handful of routes. In fact, for the company as a whole, cash losses have exceeded \$650 million in each of the last 3 years and are likely to stay at that level over the next several years (see Figure 3).

Figure 3. Growth in Amtrak's Operating and Cash Losses FYs 1993 Through 2003



With Amtrak's operating and capital needs exceeding revenues and Federal funds provided, Amtrak sought external financing, burdening itself with a heavy debt load and substantial principal and interest payments that must be satisfied in the coming years. Between FYs 1997 and 2002, Amtrak's total debt grew by \$3.1 billion, from \$1.7 billion to \$4.8 billion, representing an overall increase of 178 percent. Amtrak did (at least temporarily) abate this trend in FY 2003 by reducing total debt by \$40 million (or less than one percent). Just to service the

current portion of the long-term debt and capital lease obligations will require an average of \$285 million per year through FY 2010.

The Administration's bill also proposes to focus Federal capital funding on developing and investing in short-distance corridors (routes with end-to-end distances of less than 500 miles). This would target service improvements to the services that make up 84 percent of Amtrak's ridership and hold the greatest potential for future passenger growth. Another key aspect of the Administration's proposal would transfer greater power and authority to the states, in return for their greater financial participation.

The Administration's bill and the need to reauthorize Amtrak, bring up three categories of issues that must be resolved by the Administration, Congress, the states, and other stakeholders.

- **Financing.** Agreement needs to be reached on the timing and amount of any continuing Federal operating subsidies and what responsibilities for supporting Amtrak operations should devolve to the states. These are particularly sensitive issues given the potential impact on already strained state finances. Reauthorization will also need to determine how best to fund Amtrak's ongoing capital needs and how to reduce Amtrak's debt.
- **Governance.** Agreement must be reached on what authority will be given to the states, how the states would coordinate on inter-state corridors, and how the intercity passenger rail system will be administered and its progress monitored.
- **Services.** Finally, the interested parties must determine the level and type of service a restructured intercity passenger rail system should offer—whether we can afford to maintain a truly national rail system or if instead we should focus on short distance corridors between major city pairs.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *The Future of Intercity Passenger Rail Service and Amtrak*
- *Amtrak's Financial Condition*
- *Amtrak's Performance, Budget, and Passenger Rail Service Issues*
- *2001 Assessment of Amtrak's Financial Performance and Requirements*

7 MARAD Loan Guarantee Program. Minimize financial loss to the Government from MARAD's \$3.8 billion Title XI Loan Guarantee Program.

As of October 31, 2003, the Maritime Administration's (MARAD) consolidated Title XI loan guarantee portfolio was valued at \$3.8 billion—with another \$1.5 billion in loan guarantee applications under review. These loan guarantees are designed to assist private companies in obtaining financing for the construction of ships or the modernization of U.S. shipyards—with the Government holding a mortgage on the equipment or facilities financed.

In March 2003, we issued an audit report on the Title XI Program. The audit was requested by Congress following several large loan defaults in the last 5 years that resulted in payouts of approximately \$490 million. One company alone, American Classic Voyages Co., accounted for \$330 million of that amount.

Our audit identified a number of areas where MARAD could improve its Title XI Program practices, limit the risk of default, and reduce losses to the Government. MARAD's response to our recommendations includes the following actions.

- Establishing a new policy that every Title XI loan guarantee application will obtain an independent expert review once it is determined that the application involves a reasonable business plan and that adequate information exists to make the review meaningful. MARAD is currently in the process of developing a list of qualified entities to perform these reviews and establishing a source of funds to pay for them.
- Implementing a more rigorous analysis of the risks that arise from modifying loan approval criteria and imposing compensating provisions on the loan guarantees to minimize those risks. For example, compensating provisions might include requiring additional collateral or higher equity contributions from the borrower. As a part of this analysis, MARAD will seek concurrence from the Office of the Secretary for any waivers or modifications proposed for new Title XI loan guarantee applications or proposed modifications to any existing guarantees.
- Implementing a timely and systematic approach for continuously monitoring the financial condition of its portfolio of companies with loan guarantees. MARAD is currently performing financial reviews of each company, which includes the development of more in-depth credit watch reports for those companies that do not meet certain financial or operational criteria. The credit watch reports will be compiled and distributed on a quarterly basis to senior

staff at MARAD, as well as the Department's General Counsel and Chief Financial Officer, who will meet to discuss appropriate actions.

- Developing a formal process for continuously monitoring the physical condition of guaranteed assets over the terms of loan guarantees, and instituting an improved process for monitoring the physical condition of foreclosed assets.

Congress has required that the OIG certify MARAD's successful implementation of our audit recommendations before MARAD can issue loan guarantees using funds appropriated in Public Law 108-11, *Making Emergency Wartime Supplemental Appropriations for the Fiscal Year Ending September 30, 2003*. We are closely monitoring the steps MARAD is taking in response to our recommendations. MARAD needs to fully implement these recommendations this year.

From 1999 until 2001, the OIG's list of DOT top management challenges included the issue of MARAD's progress in scrapping obsolete and deteriorating ships. We removed this item from the top management challenges list last year because MARAD has succeeded in removing 14 vessels from its fleets and had obtained additional funding for disposal efforts in FY 2003. However, issues have arisen this year that cast some uncertainty on the pace of the program. Environmental concerns and recent legal proceedings in both the United States and the United Kingdom have hindered efforts to fulfill contractual agreements between MARAD and a British firm to dismantle 13 vessels. If these issues are not resolved or additional progress is not made in reducing the number of obsolete vessels in the fleet, we will consider including this issue as a top management challenge next year.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *OIG Comments on Lake Express Title XI Loan Guarantee Application*
- *Title XI Loan Guarantee Program*
- *MARAD Title XI Loan Guarantee Program*
- *Limited Progress in Disposing of Obsolete Vessels*

8 Financial Accountability. Build on financial management progress in the last year by freeing up hundreds of millions of dollars in idle funds, improving oversight of billions of dollars in cost-reimbursable contracts, and fully implementing the new Delphi financial management system.

There has been progress in the last year in this area, but DOT still has a long way to go to strengthen three important financial management activities. First, DOT needs to free up millions in inactive obligations or idle funds, especially at the Federal Highway Administration. Second, improve oversight of cost-reimbursable contracts, which have few inherent protections against cost overruns. Third, complete implementation of the new Delphi financial management system, which will enable DOT to strengthen financial controls and generate reliable financial reports.

DOT must identify and deobligate hundreds of millions of dollars that have sat idle on completed, canceled, or modified projects, and use those funds productively on active projects. In FY 1999, we identified \$672 million of inactive obligations that were no longer needed or valid. In FY 2001, we identified \$293 million, including \$238 million in FHWA. (Our current audit work indicates that this problem continues.) For example, we found one case where \$25.5 million sat idle for 10 years on a project to build a garage, even though the state decided not to build the garage years earlier. We have repeatedly recommended that FHWA aggressively identify funds that can be deobligated from completed or canceled projects, and redeploy those funds to active projects. This is especially important in this time of tight budget constraints.

DOT must significantly strengthen—especially at FAA—management of billions of dollars in cost-reimbursable contracts, which have few inherent protections against cost overruns. In FY 2002's Financial Statement Audit report, we reported that FAA's management of cost-reimbursable contracts was deficient, lacked accountability, and did not adequately protect against fraud, waste, and abuse. Our audits have found that FAA officials did not: (1) obtain audits of billions of dollars in expenditures on cost-reimbursable contracts; (2) ensure that reliable Government cost estimates were prepared and used in evaluating contracts; (3) ensure that contractor employees were qualified to do the work; and (4) properly account for billings and expenditures to prevent overpayments.

Although FAA has taken some steps to improve its contract management, it has not yet implemented all our recommendations, including obtaining necessary interim and final audits of costs incurred for large contracts. Without these basic

management practices, FAA will not be in a position to monitor and control costs over the life of these contracts or ensure that the Government does not pay for unallowable costs.

Congress is also concerned about FAA's performance in this area and, in FY 2001, required FAA "to request the DCAA [Defense Contract Audit Agency] audits on all acquisition contracts in excess of \$100,000,000, and audits on at least 15 percent of all contracts under \$100,000,000". However, our work as of November 2003 shows that FAA has requested audits for only 15 of 33 contracts that FAA identified as being over \$100 million—leaving over \$8 billion of existing cost-reimbursable contracts over \$100 million unaudited.

DOT must successfully convert all accounting operations to the new Delphi financial system and use the system to strengthen financial controls and generate reliable financial reports. In order to produce audited financial statements in time to meet the Office of Management and Budget's (OMB) accelerated deadline of November 15, 2004, FAA must complete the transition and evaluate the effectiveness of its recent conversion to Delphi. A flawed FHWA conversion this year means that DOT is now undertaking heroic efforts to meet the current January 2004 deadline for issuing audited financial statements. Next year, Delphi will have to produce reliable statements (including for FAA), without massive manual adjustments, for DOT to meet OMB's accelerated deadline.

As part of Delphi implementation, DOT needs to strengthen financial controls to ensure that funds are only spent for authorized uses and within appropriation limits set by Congress. During the last year, we reported three separate instances where DOT officials diverted a total of more than \$612 million to unauthorized uses. In two cases, the diversions resulted in Antideficiency Act violations. While the largest portion of these diversions occurred over 20 years ago and none of the funds were diverted for personal use, and although senior DOT officials acted aggressively to deal with the problems, the existence of multiple fund diversions proves the need for more effective financial management controls.

DOT has set a goal date and the modal administrations must make significant strides to implement cost accounting systems, with appropriate labor distribution processes. Such systems will enable DOT modes to more effectively measure the performance of their programs, thus allowing DOT to identify inefficient activities, reduce costs, and increase productivity. Cost accounting and labor distribution systems are key to FAA's successful implementation of its new Air Traffic Organization. These systems are fundamental tools for the new organization to accurately measure the efficiency of its programs and the productivity of its workforce. During the last 3 years, we have issued annual reports on FAA's cost accounting system and the system implementation progress.

We cited problems with the treatment of costs, the lack of a labor distribution system, and the need to interface the cost accounting system with the new Delphi financial accounting system. The FAA Administrator has made correcting these deficiencies a top priority. Successful implementation of these cost accounting systems—crucial to gauging and lowering FAA operations costs and dealing with other financial challenges facing the Department—must not be further delayed.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *Inactive Obligations, DOT, September 1999*
- *Inactive Obligations, FHWA, September 2001*
- *DOT Consolidated FY 2001 Financial Statements*
- *DOT Consolidated FY 2002 Financial Statements*
- *Implementing a New Financial Management System*
- *Oversight of Cost-Reimbursable Contracts, FAA*
- *2002 Status Assessment of Cost Accounting System and Practices*

9 Disadvantaged Business Enterprise Program. Increase oversight of the Disadvantaged Business Enterprise Program to reduce fraud and ensure the Program benefits truly disadvantaged businesses.

Fraud involving the DBE Program has serious enforcement and compliance problems that are nationwide in scope. This is a new addition to our top management challenges list and an area in which we believe the Department has been making insufficient progress.

DBE fraud involves a broad range of schemes, such as prime contractors who conspire with DBE firms to fraudulently meet required DBE participation criteria in order to win contracts. In such cases, DBEs either do not perform the work or yield total control of personnel and operations to the prime contractors. This crime defrauds the integrity of the DBE Program, potentially increases costs to the Department, and harms legitimate DBEs that the Program was designed to assist. We are currently investigating 40 DBE fraud schemes in 19 states. Over the past 5 years, our DBE investigations have resulted in 40 indictments and 29 convictions.

This matter requires more attention and greater oversight efforts by the Department. In two recent investigations and our briefings before the Department's DBE fraud task force, we made the following recommendations.

- The DBE regulations covering airport concessions need to prescribe a personal net worth limit for the owner of a DBE. A limitation on personal net worth would serve as an appropriate determinant in establishing whether an individual is economically disadvantaged.
- The regulations should set forth clear, objective, and tangible criteria for rebutting the presumption of economic disadvantage.
- Consideration should be given to establishing terms for DBE firms, and their owners, to ultimately graduate from DBE eligibility.
- The Department needs to strengthen the effectiveness of its stewardship of the DBE Program, beyond current protocols, which now largely consist of limited documentary reviews. Oversight should include site visits, DBE and prime contractor interviews, detailed certification file reviews, work-site surveillance, and the resources to support the compliance activities.

- The Department should perform its own up-front examination of DBE certification application packages.

Even if applied on a selective basis, such an approach—considerably more hands-on in nature—would enable the Department not only to better assess the compliance actions of local agency DBE Program managers, but also to directly gauge the extent of regulatory compliance by participating DBEs and applicants for certification.

The Secretary's establishment of a senior level task force on DBE fraud was a good first step this year. However, it is important that the task force make tangible progress in strengthening the oversight of the DBE Program in the months ahead.

For further information, the following reports, testimonies, and links can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *Opportunities to Control Costs and Improve the Effectiveness of Department of Transportation Programs*
- *Controlling Costs and Improving the Effectiveness of Federal Highway Administration and Federal Transit Administration Programs*
- *Criminal Investigations link*
- *Semiannual Report Reading Room link*

10 Information Technology Management. Protect critical information technology (IT) systems from attack and maximize returns on DOT's \$2.7 billion in annual IT investments.

This issue must be addressed as a top management challenge because of the size and importance of DOT's IT systems. DOT has one of the largest IT investment portfolios among civilian agencies. Further, DOT IT systems support air traffic control and distribute billions of dollars in Federal grants for transportation improvements. Security breaches against these systems could have far-reaching effects on the Nation's transportation system and economy.

Securing Critical Computer Systems. Recently, DOT made noteworthy improvements by enhancing its defense against Internet intrusions, appointing a Chief Information Officer (CIO) to lead major IT initiatives, and developing a more reliable inventory of systems. However, DOT's Information Security Program continues to be a material weakness. DOT must further protect critical IT systems, especially air traffic control systems, against attack and enhance contingency planning to ensure business continuity in an emergency.

Only 33 percent of DOT computer systems have undergone security certification reviews as of September 2003—far below the 80 percent goal established by the Administration. Yet, in June 2003, DOT established a new performance goal to have 90 percent of total systems certified as adequately secured by July 2004. Meeting this new goal will require significant resources in order to finish reviewing two-thirds of its systems in the next 9 months (see Table 2).

Table 2. System Security Certification Reviews

Operating Administration	Total Systems	Certified by September 2003	Systems to Be Certified by July 2004
Federal Aviation Administration	421	70	351
Federal Highway Administration	25	14	11
Federal Railroad Administration	22	6	16
Federal Motor Carrier Safety Administration	19	6	13
Research and Special Programs Administration	25	4	21
Bureau of Transportation Statistics	7	3	4
Maritime Administration	12	7	5
Federal Transit Administration	7	7	0
Office of the Secretary	46	46	0
National Highway Traffic Safety Administration	42	42	0
St. Lawrence Seaway Development Corporation	1	1	0
Surface Transportation Board	3	3	0
Total	630	209	421
Percentage	100%	33%	67%

A related issue is the development of business continuity contingency plans in the event key IT system operations are disrupted. As of September 2003, only 26 percent of DOT systems had established contingency plans, and these plans were often inadequate. For instance, in about half the contingency plans we reviewed, management did not conduct business impact analyses—a key contingency planning step—to determine how long business could continue without computer support. In today’s world, the Department must approach computer security as a two pronged issue: preventing disruption wherever possible, and planning to minimize disruptions when they do occur. The Department must improve its efforts in both these areas.

Strengthen Departmental Oversight of IT Investment. In FY 2003, DOT appointed a CIO and increased the CIO’s influence over IT decisions by forming a departmental Investment Review Board (the Board). The Board, which is chaired by the Deputy Secretary, and consists of the CIO, the Chief Financial Officer, the General Counsel, and the Assistant Secretary for Administration, has the authority to approve, modify, or terminate major IT investments. To ensure that the Board can improve the cost-effectiveness of DOT’s \$2.7 billion annual IT investment, it needs to take the following actions to strengthen its oversight.

- The Board needs to play a more proactive role in identifying high-risk modal administration IT projects for review. This year, the Board focused on reviewing “cross-cutting” IT projects, such as implementation of a new departmental financial management system. However, these projects account for less than 10 percent of DOT’s total IT investment. Yet FAA, which is responsible for more than 80 percent of DOT’s IT investment and has had significant cost overruns and schedule delays with IT purchases, made decisions on its IT investments without the involvement of the CIO or detailed review by the Board.
- The Board needs to require the modal administrations to share more timely information on proposed IT projects and perform more in-depth reviews of these data. This year, modal administrations submitted 60 major IT investment requests, valued at billions of dollars, to the Board for review and approval. However, the reviews were limited to ensuring the completeness of the submission, rather than verifying that the data were reliable and reasonable. Without these additional reviews, the Board cannot effectively influence modal administrations by modifying or terminating major IT investment projects that do not show evidence of progress.

For further information, the following reports and testimonies can be seen on the OIG web site at <http://www.oig.dot.gov>:

- *DOT Information Security Program*
- *Computer Security of DOT's Delphi Financial Management System*
- *Computer Security of FTA's Grant Management and Payment Systems*
- *Computer Security and Controls at U.S. Coast Guard Aircraft Repair and Supply Center*
- *Shutdown of TASC's Transportation Computer Center*

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EXHIBIT

Items in FY 2004 Report	Items in FY 2003 Report
<ul style="list-style-type: none"> • Highway Safety. Taking aggressive action to prevent drivers from obtaining Commercial Driver's Licenses (CDLs) through kickbacks or other fraudulent schemes; strengthening the system used to identify high-risk motor carriers for review; implementing the Transportation Recall Enhancement, Accountability, and Documentation (TREAD) Act to facilitate proactive identification of vehicle safety defects; and continuing to support programs for primary enforcement of seat belt laws and prevention of drug-impaired driving. 	<ul style="list-style-type: none"> • Reducing Fatalities and Injuries on Our Highways, Emphasizing Seat Belt Law Enforcement
<ul style="list-style-type: none"> • Aviation Safety. Ensure FAA safety oversight keeps pace with industry and economic changes while maintaining a focus on long-standing safety issues. 	<ul style="list-style-type: none"> • Reducing the Risk of Aviation Accidents Due to Operational Errors and Runway Incursions
<ul style="list-style-type: none"> • Hazardous Materials Safety and Security. For safety and cost-effectiveness reasons, the Department needs to take aggressive steps to coordinate hazardous materials (HAZMAT) inspection and enforcement efforts among the modal administrations in order to leverage limited HAZMAT inspection resources. This would include an education program and inspection/enforcement strategies for dealing with a common shipper who causes problems across several of the Department's modes. 	<ul style="list-style-type: none"> • Continuing to Improve Transportation Security
<ul style="list-style-type: none"> • Protecting Taxpayer Investments in Highway and Transit Infrastructure Projects. Continue efforts to ensure that highway and transit projects are delivered on-time, within budget, and free from fraud; and aggressively fight motor fuel tax evasion, which is a drain on revenue for the Department. 	<ul style="list-style-type: none"> • Clamping Down on Fraud, Obtaining Better Value in Highway and Bridge Investments, and Reauthorizing TEA-21
<ul style="list-style-type: none"> • Improve Fiscal Discipline at FAA. Controlling operations cost growth and addressing fundamental problems with major acquisitions. 	<ul style="list-style-type: none"> • Reversing FAA's Spiraling Operating Costs, Improving Aviation System Capacity, and Reauthorizing AIR-21
<ul style="list-style-type: none"> • Intercity Passenger Rail. Restructure the intercity passenger rail system to match fiscal capacity. 	<ul style="list-style-type: none"> • Determining the Future of Intercity Passenger Rail
<ul style="list-style-type: none"> • MARAD Loan Guarantee Program. Minimize financial loss to the Government from MARAD's \$3.8 billion Title XI Loan Guarantee Program. 	None
<ul style="list-style-type: none"> • Financial Accountability. Build on financial management progress in the last year by freeing up hundreds of millions of dollars in idle funds, improving oversight of billions of dollars in cost-reimbursable contracts, and fully implementing the new Delphi financial management system. 	<ul style="list-style-type: none"> • Accomplishing DOT's Core Missions of Safety and Mobility During and After an Effective Transition of TSA and Coast Guard
<ul style="list-style-type: none"> • Disadvantaged Business Enterprise Program. Increase oversight of the Disadvantaged Business Enterprise Program to reduce fraud and ensure the Program benefits truly disadvantaged businesses. 	None
<ul style="list-style-type: none"> • Information Technology Management. Protect critical information technology (IT) systems from attack and maximize returns on DOT's \$2.7 billion in annual IT investments. 	<ul style="list-style-type: none"> • Strengthening Computer Security and Investment Controls for DOT's Multi-Billion Dollar Information Technology Investment
None	<ul style="list-style-type: none"> • Ensuring Highway Safety as the Southern Border Is Opened to Mexican Motor Carriers Under NAFTA
None	<ul style="list-style-type: none"> • Meeting Coast Guard's Safety and Security Missions