

## Strategic Objective 6.2—Improve Financial and Information Systems Management

*Advance secure and innovative information systems and technology platforms that protect against cyber threats and support the efficient use of information and data for financial management.*










### PERFORMANCE OVERVIEW

DOT will provide secure, customer-focused information systems and technology platforms that support the innovative, effective, and efficient use of information and data for the management of all its business processes. DOT will leverage new technologies and ensure contingency plans are in place for its employees to function as a mobile workforce in all situations. DOT will continue to emphasize the importance of improving its financial management practices by focusing on increased oversight and proper recording of undelivered orders, which are budget obligations that have not yet been fully liquidated by making a final payment. With the large number and dollar value of DOT-funded grants and projects, identifying unused portions of this funding is constant work. By recovering these unused funds, DOT can make additional monies available to be used for eligible, higher priority projects.

DOT Operating Administrations (OAs): All Operating Administrations.

## Financial Management

### PERFORMANCE REPORT

Financial Management - Improper Payment Percentage (By Program Tested)								
Goal Description	2010	2011	2012	2013	2014	2015 Target	2015 Actual	Performance
<b>FAA Airport Improvement Program</b>	0.03%	0.89%	0.64%	0.07%	0.20%	0.50%	0.04%	Met 
<b>FHWA Federal-Aid Highways</b>	1.40%	0.94%	0.22%	0.20%	0.10%	0.25%	1.08%	Not Met 
<b>FRA High-Speed Intercity Passenger Rail Program</b>	Not Tested	Not Tested	0.96%	0.00%	1.06%	0.25%	0.03	Met 
<b>FTA Capital Investment Grants</b>	0.00%	0.00%	0.00%	0.04%	0.00%	0.25%	N/A	N/A 
<b>FTA Formula Grants</b>	0.16%	0.00%	0.44%	0.73%	2.91%	0.50%	0.05%	Met 
<b>FAA Facilities and Equipment—Disaster Relief Act</b>	Not Tested	Not Tested	Not Tested	Not Tested	0.00%	N/A*	0.00%	Met 
<b>FHWA Emergency Relief Program—Disaster Relief Act (Hurricane Sandy-related only)</b>	Not Tested	Not Tested	Not Tested	Not Tested	0.00%	N/A*	N/A	N/A 
<b>FRA Grants to Amtrak—Disaster Relief Act</b>	Not Tested	Not Tested	Not Tested	Not Tested	0.41%	N/A*	N/A	N/A 
<b>FTA Public Transit Emergency Relief Program—Disaster Relief Act</b>	Not Tested	Not Tested	Not Tested	Not Tested	0.02%	N/A*	0.03%	Met 

\* FY 2014 was the initial year of improper payments for Disaster Relief Act Programs. DOT will establish targets for the Disaster Relief Act Programs after FY 2015 improper payment testing is complete.

### Progress Update

FY 2015 performance results met most, but not all, of DOT improper payment target rates. DOT's target rates are more rigorous than statutory thresholds which define programs susceptible to significant improper payments to have an improper payment rate exceeding 1.5 percent and \$10 million of program outlays or \$100 million of program outlays regardless of the percentage.

In FY 2015, DOT's OAs continued to enhance their payment processing guidance, update standard operating procedures, and reinforce controls during periodic training sessions with their

internal and external grant management communities. These efforts resulted in fewer corrective actions compared with prior years.

DOT completed a department wide improper payment risk assessment of all programs in FY 2015. The risk assessment measures a number of factors including: payment processing controls; quality of internal and external monitoring controls; human capital; age and complexity of the programs; and, nature of program payments and recipients. In addition to meeting statutory requirements, the risk assessment is assisting DOT pinpoint control weaknesses and construct action plans to reduce the risk of improper payments.

The risk assessment identified three new funding activities susceptible to significant improper payments: FRA’s Operating Subsidy and Capital and Debt Service Grants to Amtrak; FTA’s PRIIA Projects for WMATA; and, MARAD’s Electronic Invoicing System—Ready Reserve Force—Ship Manager Payments. FRA and FTA’s merged the newly identified funding activities were into existing programs tested for improper payments. MARAD established a new improper payment program starting in FY 2015.

### PERFORMANCE PLAN

DOT Improper Payments (OST)			
Goal	Indicators	FY 2016 Target	FY 2017 Target
Maintain the Percentage of Improper Payments Below Program Targets			
	FAA Airport Improvement Program.	0.038%	0.037%
	FAA Facilities and Equipment—Disaster Relief Act	0.000%	0.000%
	FHWA Federal-Aid Highways Program	0.950%	0.800%
	FRA Grants to Amtrak	0.300%	0.290%
	FRA High-Speed Intercity Passenger Rail Program	0.029%	0.028%
	FTA Formula Grants	0.045%	0.040%
	FTA Public Transit Emergency Relief Program—Disaster Relief Act	0.025%	0.020%
	MARAD Electronic Invoicing System – Ready Reserve Force – Ship Manager Payments	N/A*	N/A*

## *Key Strategies*

**Department wide:** DOT will seek relief from testing program that have low-risk of improper payments and have demonstrated improper payment rates below statutory thresholds. FAA's Airport Improvement Program and FRA's High-Speed Intercity Passenger Rail program met OMB's requirements to request relief from annual improper payments reporting requirements.

**Federal Aviation Administration (FAA):** Through a grant and sponsor oversight process, continuous throughout the duration of the grant, FAA promotes proper fund stewardship. FAA receives quarterly reports on each grant to assess sponsor performance under every grant agreement. On a broader level, FAA uses a risk-based approach that increases the level of review of sponsor documentation, depending on the risk level of the Grantee.

**Federal Transit Administration (FTA):** FTA uses the State Management Reviews and Triennial Reviews to ensure proper compliance with Federal Grant regulations. In addition to stressing proper financial oversight, FTA Grantee reviews delve into various focus areas, such as legal compliance, technical compliance, and procurement processes at the State and local level.

**Federal Highway Administration (FHWA):** Under its Financial Integrity Review and Evaluation (FIRE) program, FHWA subjects States and territories not selected as part of the Improper Payments Elimination and Recovery Act, or IPERA, sample to a similar billing review process. The FIRE program also incorporates additional reviews, including focus areas such as inactive projects, grant administration at the local level, and procurement at the local level using Federal funds.

**Federal Railroad Administration (FRA):** Under a comprehensive, risk-based oversight program, FRA conducts routine monitoring, including periodic reviews of projects, as part of the management and administration of the High-Speed Intercity Passenger Rail Program, or HSIPR, Program. The routine monitoring activities center on recipient compliance with FRA agreement and with the approved budget, schedule, and fund stewardship. Routine monitoring highlights potential areas of concern and opportunities for training and technical assistance.

**Maritime Administration (MARAD):** The MARAD Internal Control Program (MICP) improves the accountability and effectiveness of MARAD programs and operations through the implementation of sound internal control methodologies, and (2) reasonably assure compliance with laws and regulations. The objective of MICP is to advance organizational policies and procedures to help program and financial managers achieve results and safeguard the integrity of programs by reducing the risk of adverse activities, including loss or damage from waste, fraud, abuse, or mismanagement.

## *Next Steps*

The improper payments program next steps are:

- Update DOT policies and procedures for estimating and reducing improper payments.
- Provide grantees with guidance on the retention of supporting documentation.
- Provide grantees with refresher training on disbursement guidelines.

## ***Responsible Officials***

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