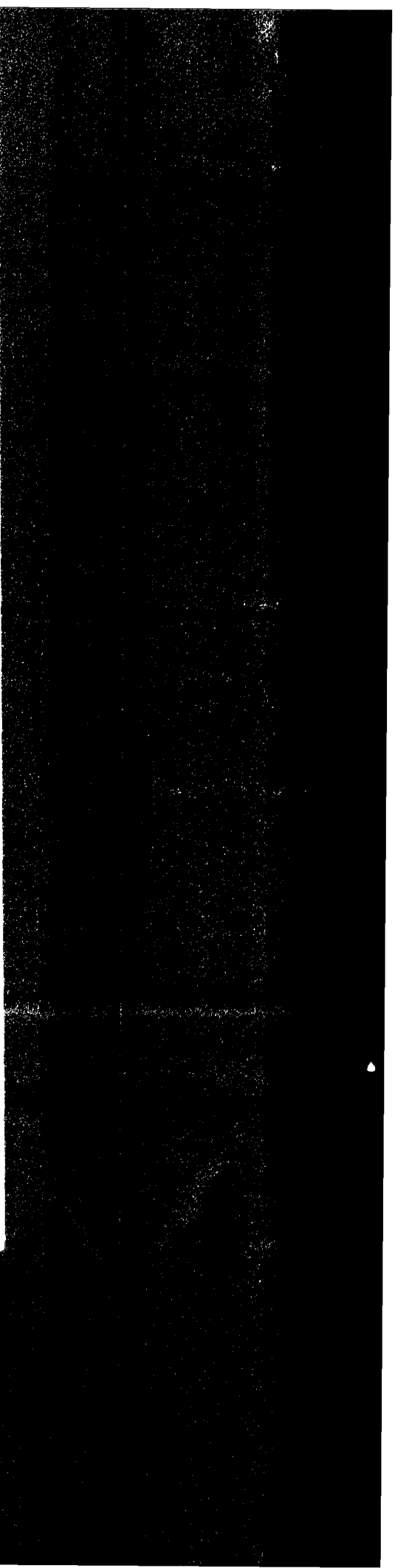
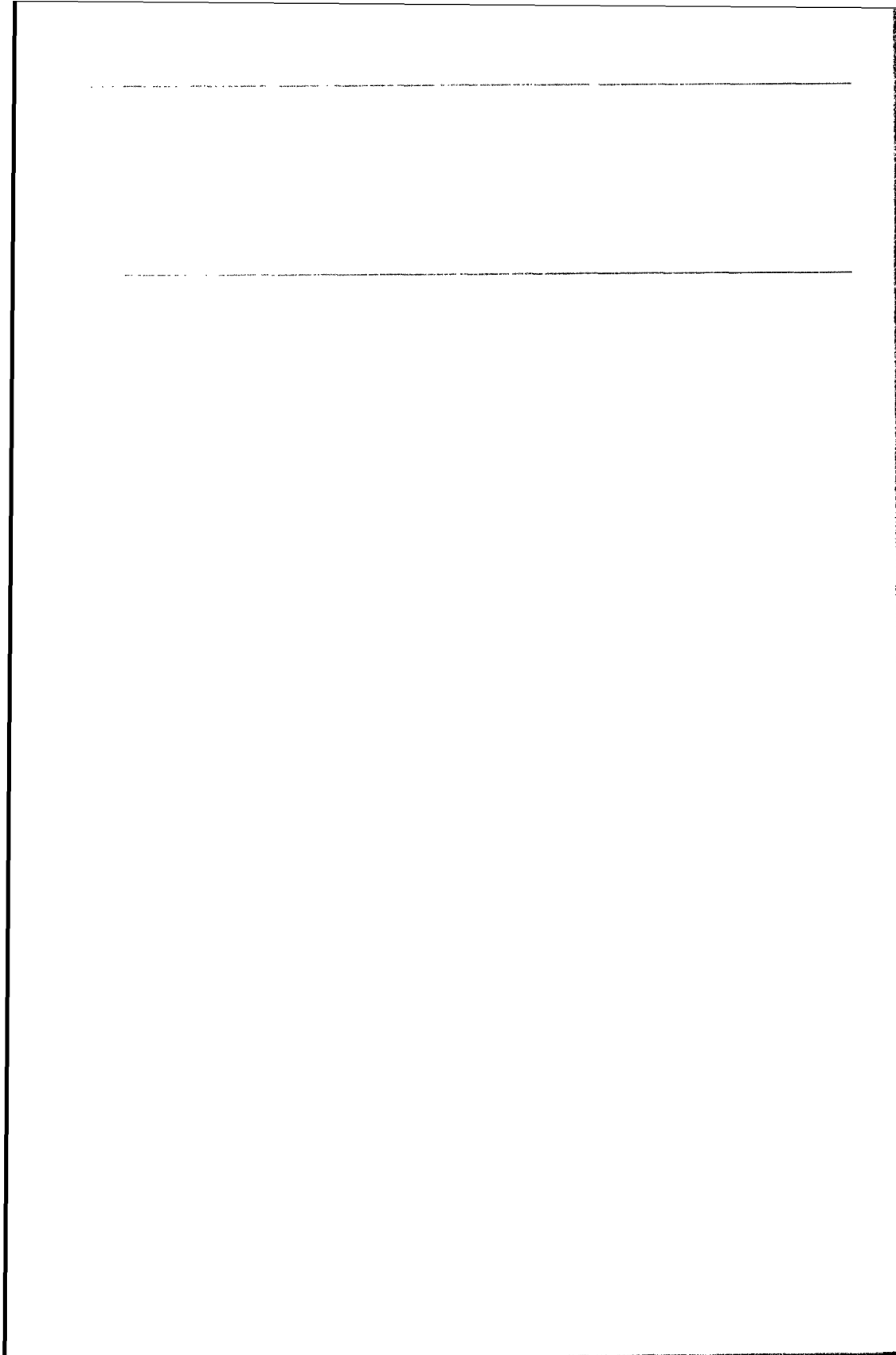


December 1992

Federal Transit Administration Grant Management







United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

December 1992

The President of the Senate
The Speaker of the House of Representatives

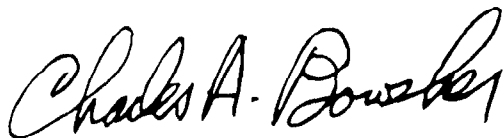
In January 1990, in the aftermath of scandals at the Departments of Defense and Housing and Urban Development, the General Accounting Office began a special effort to review and report on federal government program areas that we considered "high risk."

After consulting with congressional leaders, GAO sought, first, to identify areas that are especially vulnerable to waste, fraud, abuse, and mismanagement. We then began work to see whether we could find the fundamental causes of problems in these high-risk areas and recommend solutions to the Congress and executive branch administrators.

We identified 17 federal program areas as the focus of our project. These program areas were selected because they had weaknesses in internal controls (procedures necessary to guard against fraud and abuse) or in financial management systems (which are essential to promoting good management, preventing waste, and ensuring accountability). Correcting these problems is essential to safeguarding scarce resources and ensuring their efficient and effective use on behalf of the American taxpayer.

This report is one of the high-risk series reports, which summarize our findings and recommendations. It describes our concerns over the management and oversight of federal transit grants by the Department of Transportation's Federal Transit Administration. It examines the agency's failure to use its monitoring and enforcement tools to detect and correct serious, widespread, and often long-standing noncompliance and inappropriate expenditures of funds by grant recipients. It also discusses new initiatives that the agency is taking to better safeguard future grants, including implementing most of our numerous recommendations. We will continue to monitor the agency's progress to confirm that the new oversight strategy is in place and achieving its objectives.

Copies of this report are being sent to the President-elect, the Democratic and Republican leadership of the Congress, congressional committee and subcommittee chairs and ranking minority members, the Director-designate of the Office of Management and Budget, the Secretary-designate of Transportation, and the Administrator of the Federal Transit Administration.



Charles A. Bowsher

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Overview

The Federal Transit Administration (FTA), within the Department of Transportation, provides federal grants to help states and localities develop new mass transit systems and operate, maintain, and improve existing ones. FTA, mostly through its 10 regional offices, is responsible for monitoring grant recipients in their use of federal funds and enforcing their compliance with federal regulations.

FTA currently administers about 4,400 active grants totaling \$35 billion. Funding for mass transit—and therefore the risk of mismanagement—could grow significantly: Recent legislation has increased authorized annual funding from \$3.2 billion to \$5 billion and allowed up to \$70 billion in highway funds to be used for transit needs over the next 6 years. In addition, the current focus on expanded federal infrastructure investment, including mass transit, together with a potentially rapid infusion of funds, increases the need for making wise investments and carefully monitoring federal funding.

The Problem

FTA's ineffective oversight of transit grants has enabled grant recipients to misuse millions of dollars in federal funds.

Grant recipients' problems with financial management, procurement, and inventory control have gone undetected or uncorrected for as long as a decade or more.

We have documented waste and mismanagement at grant recipients in several FTA regions. For example, even after it became apparent that Pittsburgh Port Authority Transit lacked the engineering skills to complete a nearly \$20 million trolley rehabilitation project, FTA's Philadelphia region continued to fund the project for several years, without requiring corrective action. In the San Francisco region, grant recipients spent almost \$40 million more in federal funds on buses than federal guidelines allowed. Although entrusted with \$1.6 billion in active FTA grants, the Chicago Transit Authority, in FTA's Chicago region, had significant management problems that went uncorrected for over a decade. In FTA's New York region, a major construction project at the Long Island Railroad more than doubled in cost—from an estimated \$171 million to nearly \$400 million—and was completed 5 years late.

The Causes

Until recently, FTA focused its resources on awarding grants rather than on ensuring

their proper use. Although FTA rules call for regular progress reports, reviews, and audits, FTA monitored recipients superficially and inconsistently. Furthermore, it seldom used its enforcement powers to compel recipients to fix problems, even when the recipients had long histories of noncompliance. Instead, FTA relied primarily on recipients' assurances that they would manage funds properly. Whether intentionally or not, FTA's "hands off" approach to oversight conveyed the message that federal grant regulations were not important and federal funds did not need to be safeguarded.

**GAO's
Suggestions for
Improvement**

We have made numerous recommendations for correcting FTA's oversight practices and safeguarding federal transit funds. Among other things, we called for FTA to ensure that its grant recipients have adequate management systems, strengthen its reviews of recipients, and link grant funds to compliance with rules.

In the spring of 1992, FTA acknowledged the problems cited by GAO and also by the Department of Transportation's Office of Inspector General (OIG). In August 1992, FTA began implementing an oversight strategy that incorporates GAO's recommendations.

The strategy involves performing annual risk assessments of each grant recipient, establishing detailed procedures for monitoring recipients, and adopting a comprehensive enforcement system, among other actions. In addition, the Federal Transit Act, signed into law in December 1991, addressed our long-standing concerns with FTA's oversight of safety and process for awarding discretionary grants.

FTA faces several hurdles in implementing the new oversight strategy; in particular, it must resolve issues of staffing and use of contractors. FTA will have to be persistent in its efforts to ensure that implementation of the new strategy does not lose momentum. Successful implementation will ultimately depend on the support that the administration and the Congress give to FTA's actions to impose appropriate controls on grant recipients, including taking enforcement action and withholding funds when warranted against noncompliant recipients. But if carried out in full, the new strategy should substantially improve grant recipients' compliance and better safeguard federal transit dollars.

FTA's Grant Programs

FTA provides federal assistance grants for the development of new mass transit systems and for the operation, maintenance, and improvement of existing systems. Since its inception in 1964, FTA has provided over \$67 billion in transit grants, and it currently administers over 4,400 active grants totaling \$35 billion to state and local transit providers (grantees).

Grantees must comply with a variety of rules, including the requirements of the Federal Transit Act and regulations, such as the Buy America provisions, that apply to recipients of federal grants. Grantees certify to FTA that they have the ability and intention to meet these requirements. Whereas grantees are responsible for the day-to-day management of their grants, FTA is responsible, primarily through its 10 regional offices, for ensuring grantees' compliance with federal requirements and proper use of federal funds.

FTA has many tools for monitoring grantees and enforcing their compliance with federal requirements. In the past, however, FTA has not taken advantage of these tools and has instead relied primarily on grantees' certifications of their intent to comply with grant requirements. Furthermore, FTA has

focused its resources on awarding grants rather than on ensuring the proper use of grant funds. On the basis of our work and that of the OIG, the Secretary of Transportation cited FTA's inadequate oversight of grantees as a material internal control weakness in the Department's Federal Managers' Financial Integrity Act reports to the President and the Congress for fiscal years 1989, 1990, and 1991.

Past Oversight Did Not Protect Scarce Federal Transit Funds

FTA's former approach to oversight clearly placed scarce transit funds in jeopardy. FTA did not give high priority to overseeing grants; rather, it relied primarily on assurances by grantees that they would manage federal funds properly. However, as we and the OIG have documented in numerous reports, grantees have had serious deficiencies in financial, technical, procurement, inventory, and other management controls that have resulted in noncompliance with federal requirements and improper use of grant funds.

Because FTA failed to oversee grantees' activities effectively, such problems often went undetected and uncorrected for up to a decade and longer. This "hands off" approach to oversight conveyed to grantees—whether intentionally or not—that federal grant regulations were not important and federal funds did not need to be safeguarded.

Grantees' Inadequate Controls and FTA's Ineffective Oversight Placed Funds at Risk

We examined grantees' management and FTA's oversight in four FTA regions that together oversee more than 60 percent of FTA's total active grants. These reports revealed significant, long-standing deficiencies that had led to grantees' wasting

and misspending federal funds. Our work disclosed the following:

- In FTA's Philadelphia region, transit grants were vulnerable to fraud, waste, and mismanagement because grantees did not have adequate financial and other management systems to ensure compliance with federal requirements and the proper use of funds. For example, Pittsburgh's Port Authority Transit did not have (1) adequate inventory controls to prevent the use of parts purchased with FTA funds for non-FTA purposes or (2) the technical engineering skills to complete a nearly \$20 million trolley rehabilitation project.

When these and other problems were brought to its attention, the region did not require the grantees to take prompt corrective actions. Indeed, FTA continued to fund the trolley rehabilitation project for several years after it was apparent that the project's progress was both costly and slow. We concluded that the region's "hands off" monitoring stance contributed to the grantee's violations of FTA rules and inefficient and inappropriate use of federal grant funds. We made several recommendations to strengthen the region's oversight and minimize the inappropriate

expenditure of federal transit funds in the future.

- In FTA's San Francisco region, financial, procurement, and property management deficiencies existed at over half of the grantees. These deficiencies led to noncompliance with federal grant requirements and inappropriate expenditures of federal funds. For example, four of the region's grantees did not have adequate property management controls to ensure that the number of buses purchased with federal funds complied with FTA rules. As a result, according to the OIG, the grantees inappropriately spent almost \$40 million in federal grant funds to purchase more buses than their service needs warranted.

Furthermore, the region did not exercise adequate oversight of its grantees' activities. Although the region did recover some misspent funds, it did not routinely compel grantees to correct underlying management deficiencies to prevent future abuses. We concluded that the region must target its oversight efforts to ensure the adequacy of grantees' management systems and the quick detection and correction of deficiencies. Without such actions, the region's grants would remain vulnerable to fraud, waste,

and mismanagement. We made recommendations to improve the reliability of grantees' compliance assurances and to minimize the vulnerability of the region's grants.

- In FTA's New York region, deficiencies in procurement, quality assurance, and other management controls at the Long Island Railroad more than doubled costs for a major construction project—from an estimated \$171 million to nearly \$400 million—and delayed the project's completion from 1986 to 1991. At the New York City Transit Authority, inadequate management controls led to the waste, misuse, or mismanagement of more than \$90 million, as documented by the OIG over a 4-year period.

Although the region knew about these problems and had frequently instructed grantees to correct the deficiencies, it did not confirm that corrections were made promptly. Problems continued at both grantees for several years. We concluded that until the region moved quickly and aggressively to bring grantees into compliance with federal requirements, funds would continue to be misspent. We made several recommendations to improve the

region's oversight of grants and to ensure grantees' proper use of federal transit funds.

- In FTA's Chicago region, deficiencies in the Chicago Transit Authority's procurement process, capital program management, and financial and inventory control systems permitted the misuse and mismanagement of millions of dollars.

Although the region was responsible for overseeing more than \$1.6 billion in active grants to the authority, it did not exercise sufficiently rigorous oversight to detect the magnitude and severity of the management weaknesses. The region allowed some problems to go uncorrected for over a decade. We made several recommendations to strengthen the region's oversight and ensure that grantees have adequate systems for managing their federal transit grants.

Additional information about these problems appears in the reports and testimonies listed under Related GAO Products at the end of this report.

Work performed by the Department of Transportation's OIG supports our findings. In 109 reports issued between January 1988 and May 1992, the OIG documented

numerous instances of noncompliance and deficiencies in grantees' management systems that resulted in the waste, misuse, and mismanagement of nearly \$400 million. For example, the OIG reported that 31 of 48 grantees examined had overcharged FTA \$85.6 million to purchase more buses and bus parts than FTA's policies allow. The OIG also reported that 36 of 60 grantees examined had charged FTA \$50 million for items, such as extended warranties, that were not eligible for reimbursement under FTA guidelines.

**FTA Did Not Use
Its Monitoring
Tools Effectively**

The Federal Transit Act and FTA regulations provide numerous tools for monitoring grantees' activities. These tools include quarterly progress and financial reports, annual financial audits (called single audits) conducted by public accounting firms, comprehensive management reviews (called triennial reviews) generally conducted at each grantee every 3 years, grant closeout audits, OIG audits, and procurement system reviews. FTA also uses contractors to monitor grantees' activities. However, FTA has not effectively and consistently used these tools to verify that grantees have adequate management controls to reasonably ensure

compliance with federal requirements and the proper use of funds.

Descriptions of FTA's principal monitoring tools follow:

- Quarterly progress and financial reports—These reports are FTA's most timely source of information about grantees and should enable FTA to identify problems, such as cost overruns or program delays, and implement appropriate changes before funds are wasted or mismanaged. However, FTA has not consistently reviewed the reports' contents or even required all grantees to submit reports.
- Single audits—FTA requires its grant recipients to submit copies of audits performed pursuant to the Single Audit Act of 1984. The objectives of a single audit include determining whether an entity (1) has internal control systems to provide reasonable assurance that it is managing federal financial assistance programs in compliance with applicable laws and regulations and (2) has complied with the laws and regulations that may have a material effect upon each major federal financial assistance program.

The audit tests performed to assess compliance with a program's requirements are suggested by the agency administering the program—in this case the Department of Transportation—and are compiled in a “compliance supplement” to the single audit guidance published by the Office of Management and Budget (OMB). FTA believes that the single audits have not been particularly useful in gauging either the adequacy of grantees' internal controls or actual compliance. FTA attributes these inadequacies to the limited detail on audit work suggested in the current compliance supplement, which the agency has targeted for complete revision.

- **Triennial reviews**—Until recently, FTA headquarters limited the scope and depth of triennial reviews and, hence, their usefulness as an oversight tool. Although the law calls for “a full review and evaluation of the performance of a [grant] recipient in carrying out the recipient's program, with specific reference to compliance with statutory and administrative requirements,” FTA's reviews focused primarily on grantees' certifications and assurances. The reviews included little or no testing for compliance to ensure, for example, that procurement

actions had been competitive or that grantees had adequate controls over federally funded inventories. In several instances, triennial reviews did not detect existing problems. We have repeatedly questioned the value of FTA's limited triennial reviews, noting that the abbreviated scope could not provide a full and complete review of grantees' control systems.

- Grant closeouts—When closing a grant after a project has been completed or terminated, FTA relies on single audits to verify the appropriateness of costs. We have recommended that FTA reassess its practice of relying on single audits to verify the appropriateness of costs when closing grants. Because the single audit is not grant-specific—it focuses on the grantee rather than on individual grants—we continue to believe that its usefulness for reconciling completed or terminated grants is limited.
- Other monitoring tools—FTA considers site visits, quarterly progress review meetings, procurement system reviews, day-to-day contacts, OIG audits, and GAO reports as monitoring tools. However, site visits were often made only once every 3 years during triennial reviews, quarterly progress reviews

were held at a few grantees but not at the majority, and only seven procurement system reviews have been conducted since the agency's inception even though we and the OIG have repeatedly reported problems with grantees' contracting activities. Also, day-to-day contacts may supplement other oversight efforts, but they cannot be a substitute for monitoring grantees' performance. Finally, periodic GAO and OIG reviews do not relieve FTA of its responsibilities to monitor grantees' compliance or obviate the need for FTA to detect and correct problems before funds are misspent.

- Contractor-provided oversight—FTA has not made full use of contractors to augment the oversight performed by its staff. FTA has authority to use contractors to provide direct, on-site project management oversight and to conduct grantee compliance, safety, financial, procurement, and management reviews. For fiscal year 1991, FTA had \$35.3 million available to contract for oversight assistance but spent only \$14.8 million. FTA has no written procedures for its staff to use to oversee the contractors' work, and responsibility for overseeing contractors rests at FTA headquarters in Washington, D.C., rather than in the regions

where the work is done. We repeatedly recommended that FTA strengthen and properly use its monitoring tools and contracting authority.

When we surveyed FTA's regions on their use of grant-monitoring tools, we found no consistency in the level of effort or focus. Some regions dedicated a few staff to monitoring grants, while others assigned nearly all staff to at least some monitoring tasks; some regions gave triennial reviews higher priority, while others stressed quarterly reports. Ironically, the region responsible for overseeing the most grant money devoted one-third less time to monitoring than the region with the least grant money.

**FTA Has Been
Reluctant to Use
Its Full Range of
Enforcement
Tools**

In each region we reviewed, we found instances in which long-standing noncompliance was allowed to continue essentially with impunity. FTA often did not take timely and necessary enforcement actions to compel grantees to correct problems and usually continued to fund grantees that remained out of compliance.

FTA's enforcement tools range from sending letters of notice to reducing or withholding

federal funds when federal requirements have not been met or to seeking reimbursement when funds have been misspent or mismanaged. However, FTA seldom used its most stringent enforcement tools. Rather, FTA relied primarily on notification letters and other correspondence, arguing that such limited action was justified by the continuing nature of the grantee/grantor relationship. We cautioned FTA that its use of correspondence could not be considered either timely or appropriate because such notifications failed to compel grantees to correct noncompliance within a reasonable time. We have recommended that FTA impose strict sanctions on noncompliant grantees and insist that corrective actions be taken on significant noncompliance before new funds are approved. When FTA fails to detect and compel grantees to correct noncompliance in a timely manner, it suggests to grantees that federal requirements are not important and that grant funds do not need to be safeguarded.

FTA Has Charted an Ambitious Course for Implementing Needed Changes

In response to our and the OIG's reports documenting the waste and mismanagement of federal transit grants, FTA has developed and begun implementing an oversight strategy that incorporates the majority of our recommendations to safeguard funds. In addition, the Federal Transit Act, signed into law in December 1991, addressed our long-standing concerns with FTA's oversight of safety and process for awarding discretionary grants.¹ These actions are particularly timely because the new law substantially increases FTA's authorized annual funding, raising it from about \$3.2 billion to about \$5 billion. It also allows the use of up to \$70 billion in highway funds for transit needs over 6 years.

In our most recent report, we described FTA's new approach to oversight and the steps that the agency had taken to strengthen grant management. If fully implemented, the new strategy and mandates would stand as a major accomplishment resulting from the attention that our high-risk work brought to problems in the grant program. However, because the new strategy represents a significant departure from FTA's previous oversight approach, the agency will need to

¹The Federal Transit Act, which is title III of the Intermodal Surface Transportation Efficiency Act of 1991, amended the Urban Mass Transportation Act of 1964.

pay close attention to ensure that implementation does not lose momentum. We will continue to monitor FTA's progress in achieving full implementation and confirm that the new initiatives provide adequate oversight of federal transit funds.

**FTA's Approach
to Oversight Has
Changed**

In commenting on drafts of our reports on FTA's regional oversight activities, FTA repeatedly asserted that grantees had adequate internal control systems, its own oversight was sufficient, and its enforcement was timely and appropriate. FTA maintained that we misrepresented the facts, that problems were the exceptions, and that FTA was aware of and acting on these problems.

Unexpectedly, in the spring of 1992, FTA reversed its position after a task force, convened by the FTA Administrator, reviewed and confirmed the oversight deficiencies that we and the OIG had been reporting. The task force agreed with our assessment that FTA had an adequate assortment of oversight tools but had not been using them effectively. Recognizing the need "to have an oversight system in place that provides an acceptable level of stewardship," the task force concluded that "a new comprehensive ordering of oversight priorities and

methodologies has to be developed." In May 1992, FTA's Administrator approved a task force plan to revise grant monitoring and enforcement practices. FTA now acknowledges that its problems are indeed extensive and serious and that the agency had not adequately carried out its fiduciary responsibilities.

**New Initiatives
Parallel GAO
Recommendations**

We have made 22 recommendations that focus on FTA's (1) ensuring that grantees have management systems adequate to account for and protect funds; (2) requiring that triennial reviews evaluate, analyze, and test grantees' compliance; (3) using quarterly report data to identify cost, schedule, and performance problems; (4) coordinating oversight efforts with state and local audit entities that also oversee grantees; (5) tracking corrective actions on audit findings and withholding funds when grantees remain out of compliance; (6) resolving significant noncompliance on existing grants before distributing additional funds; and (7) ensuring that contractors have adequate guidance for performing oversight and that resources are appropriately allocated to carry out oversight tasks. FTA has fully concurred with 18 of these recommendations and concurred in part

with the others. FTA has incorporated implementing actions in its new oversight strategy.

In addition, the new strategy (1) requires an annual risk assessment of each grantee to target monitoring efforts and resources, (2) uses a matrix developed by the task force to determine the appropriate form of oversight for any given circumstance, (3) clearly defines the roles of headquarters and regional offices, (4) makes use of expanded contracting authority, (5) delineates the specific roles of the single audit and the triennial review, (6) revises and clarifies guidance for the single audit and the triennial review, and (7) defines the appropriate form of enforcement necessary to deter or remedy grantee noncompliance. The task force also recommended standardizing policies and guidelines and evaluating staffing levels and the allocation of personnel at headquarters and in the regions.

The plan signed by the Administrator set an ambitious June 1992 date for fully implementing the new strategy. FTA did not meet that date. FTA officials expected that the strategy would be in place in December 1992 and that all grant oversight

activities thereafter would use the new procedures. As part of its effort to implement the new strategy, FTA has

- revised guidance on single audits: FTA has reviewed and is revising the single audit compliance supplement and other guidance used by private accounting firms to ensure that the audits reflect the adequacy of grantees' systems and indicate past compliance performance. This exercise included developing detailed audit steps needed to assess compliance with over 20 standard grant requirements. As we have advised, FTA is working with OMB on the compliance supplement, which cannot be implemented without OMB's approval.
- revised guidance on triennial reviews: To make more effective use of this monitoring tool, FTA revised triennial review guidance to ensure that procedures measure compliance with all requirements, review efforts focus on assembling and analyzing information, and maximum advantage is taken of the results of other types of monitoring. To further improve the quality of the reviews, FTA plans to provide extensive training for the staff performing the triennial reviews.

- completed grantee risk assessments: Regional offices completed risk assessments of all grantees scheduled for triennial reviews in fiscal year 1993. Regional managers are using these risk assessments to develop and implement regional oversight plans. These plans will be used by the regions to allocate staff and by FTA headquarters to allocate contractor resources.
- expanded regional office responsibilities: FTA is working to achieve greater consistency in regional offices' approach to project management and to provide a minimum level of oversight on each project. As part of this effort, FTA is defining, for the first time, the specific roles and responsibilities of regional and headquarters personnel in supporting oversight efforts.
- increased grantee accountability and use of enforcement: FTA intends to hold members of grantees' governing boards and their financial, accounting, and legal advisors accountable for false or otherwise erroneous certifications. FTA is also increasing emphasis on ensuring that grantees have the internal audit capabilities to which they certify. At the same time, FTA is developing procedures to make full use of enforcement

authorities, including withholding funds if necessary, and setting time limits for correcting continuing violations of grant requirements.

**Recent
Legislation Has
Addressed Other
GAO Concerns**

The Federal Transit Act addressed concerns that we first raised in 1989 regarding FTA's oversight of safety and process for awarding discretionary grants. In December 1989, we reported that FTA's oversight was not adequate to assess safety conditions at a local transit authority and that we were unable to determine the factors that the FTA Administrator had considered in awarding section 3 discretionary grants. We recommended that FTA obtain more complete and accurate information on accidents and maintain documentation on the section 3 award process. We reiterated our concerns in reports and testimonies during deliberations on the recently enacted Federal Transit Act.

The new law requires a comprehensive report to the Congress on current transit safety conditions. Among other things, that report is to

- summarize all deaths and injuries to passengers and employees resulting from

unsafe conditions in any facility, equipment, or operation financed with FTA funds;

- describe the actions that FTA has taken to alert transit operators to unsafe conditions and to correct or eliminate such conditions;
- consider the actions taken by grantees to correct unsafe conditions before FTA awards a new grant or makes funds available under existing grants; and
- recommend legislative or administrative actions needed to ensure that grant recipients will use the best means available to correct or eliminate hazards of death or injury.

The agency has gathered and analyzed data from states and begun to draft an initial report. Although the law specified that the report was to be issued by June 1992, FTA does not expect to issue it until April 1993.

In addition, under the Federal Transit Act, a section 3 grant for a new fixed guideway system—such as a subway line—cannot be made until the Administrator has determined that a proposed project is (1) based on an analysis of alternatives; (2) justified by its capacity to improve mobility, environmental

benefits, cost-effectiveness, and operating efficiency; and (3) supported by an acceptable degree of local financial commitment. The law further requires FTA to issue guidelines for evaluating these criteria.

**Barriers Could
Delay the
Implementation
of New Initiatives**

Potential barriers to the successful implementation of FTA's new oversight initiatives stem from the agency's inconsistent allocation of staff and inadequate use of contractors for oversight tasks. Although most oversight and all day-to-day contact with grantees take place in FTA regional offices, the effort expended on oversight and the focus of oversight activities vary from region to region. In early fiscal year 1992, the number of regional staff performing oversight ranged from 2 to 12; the proportion of staff time spent on oversight ranged from 8 percent to 38 percent; and some regions emphasized triennial reviews while others stressed quarterly reports. A planned study to determine the most appropriate level and mix of staff among regional offices and headquarters has been postponed until 1994. However, in a September 16, 1992, letter, the Department of Transportation informed us that the FTA Administrator was examining FTA's organizational structure and would

take steps in the near term to ensure that resources were appropriately allocated to provide adequate attention to oversight functions.

Conclusions and Action Needed

With the support of the Department of Transportation, FTA has made a commitment to improving grant oversight. This is a marked departure from the past when FTA relied primarily on grantees' assurances that they would properly manage federal funds. As FTA begins to monitor grantees' activities rigorously and to compel timely corrective actions at a few large grantees, other grant recipients should respond with better self-monitoring. Indeed, such action will clearly indicate to grantees that FTA is serious about enforcing compliance with grant requirements and committed to safeguarding federal transit funds. In addition, since transit needs far outstrip available funding from all sources—federal, state, or local—more needs can be met when funds are used efficiently and effectively.

FTA recognizes that a sustained, long-term effort will be needed to fully implement the new oversight strategy. However, commitment by FTA and the Department of Transportation alone may not be sufficient. Given the extent to which the new initiatives differ from FTA's past laissez-faire approach to grant oversight, successful implementation will ultimately depend on the support that the administration and the Congress give to FTA's efforts to impose

appropriate controls on grantees. Appropriate controls would include taking enforcement action and withholding funds when warranted against noncompliant grantees. Support for such action will be particularly important over the next several years, given the potential for increased funding and a rapid infusion of federal transit funds.

Related GAO Products

Mass Transit Grants: If Properly Implemented, FTA Initiatives Should Improve Oversight (GAO/RCED-93-8, Nov. 19, 1992).

Special Report on contractor improprieties at an FTA Region II grantee (GAO/OSI-92-7, Sept. 10, 1992).

Mass Transit Grants: Risk of Misspent and Ineffectively Used Funds in FTA's Chicago Region (GAO/RCED-92-53, Mar. 4, 1992).

Mass Transit Grants: Noncompliance and Misspent Funds by Two Grantees in UMTA's New York Region (GAO/RCED-92-38, Jan. 23, 1992).

Mass Transit Grants: Improved Management Could Reduce Misuse of Funds in UMTA's Region IX (GAO/RCED-92-7, Nov. 15, 1991).

Mass Transit Grants: Development Time Frames for Selected UMTA Projects (GAO/RCED-91-184FS, July 11, 1991).

Mass Transit Grants: Scarce Federal Funds Misused in UMTA's Philadelphia Region (GAO/RCED-91-107, June 13, 1991).

Mass Transit: Significant Federal Investment Is Not Adequately Protected (GAO/T-RCED-91-68, June 12, 1991).

Mass Transit: Reauthorization Offers Opportunity to Address the Appropriate Federal Role (GAO/T-RCED-91-41, Apr. 24, 1991).

Mass Transit: Historical Patterns and Future Outlook (GAO/T-RCED-91-15, Mar. 5, 1991).

UMTA Project Oversight and Mass Transit Issues (GAO/T-RCED-90-102, Aug. 8, 1990).

UMTA Project Oversight and Mass Transit Issues (GAO/T-RCED-90-103, Aug. 7, 1990).

Mass Transit Grants: UMTA Needs to Increase Safety Focus at Local Transit Authority (GAO/RCED-90-41, Dec. 1, 1989).

Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority (GAO/RCED-89-94, Mar. 31, 1989).

High-Risk Series

Lending and Insuring Issues

Farmers Home Administration's Farm Loan
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Guaranteed Student Loans (GAO/HR-93-2).

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Defense Weapons Systems Acquisition
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Defense Contract Pricing (GAO/HR-93-8).

Department of Energy Contract Management
(GAO/HR-93-9).

Superfund Program Management
(GAO/HR-93-10).

NASA Contract Management (GAO/HR-93-11).

Accountability
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Defense Inventory Management
(GAO/HR-93-12).

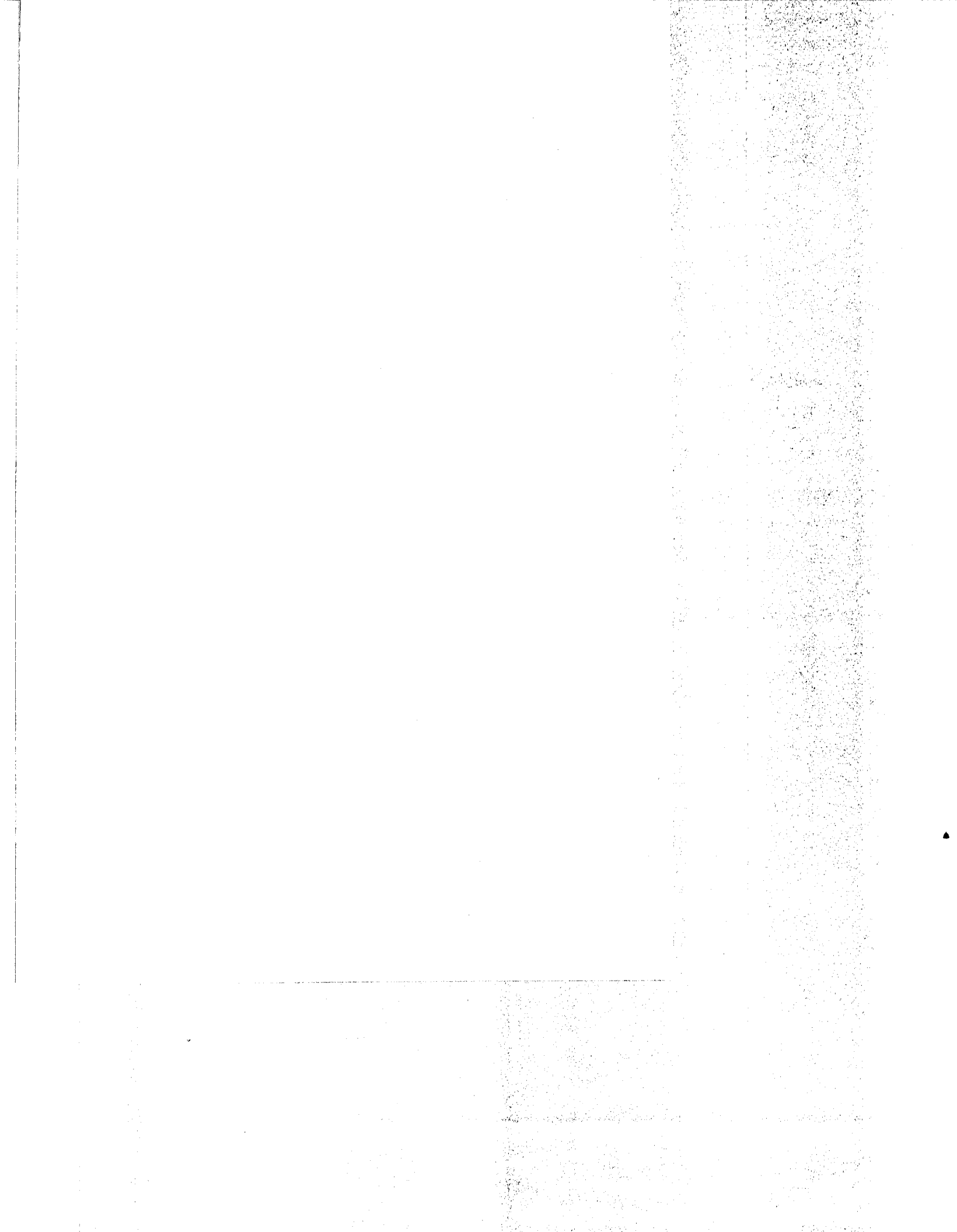
Internal Revenue Service Receivables
(GAO/HR-93-13).

Managing the Customs Service (GAO/HR-93-14).

Management of Overseas Real Property
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Federal Transit Administration Grant
Management (GAO/HR-93-16).

Asset Forfeiture Programs (GAO/HR-93-17).



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