

May 1999

# RESULTS ACT

## Observations on the Department of Transportation's Fiscal Year 2000 Performance Plan



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**Resources, Community, and  
Economic Development Division**

B-282558

May 7, 1999

Congressional Requesters

Under the Government Performance and Results Act of 1993 (the Results Act), federal agencies prepare annual performance plans covering the program activities set out in their budgets. You asked us to summarize our observations on the Department of Transportation's (DOT) performance plan for fiscal year 2000 to facilitate your review of the plan, which was submitted to the Congress in February 1999. This report provides information on the usefulness of DOT's plan for decision-making in terms of (1) providing a clear picture of intended performance across the Department, (2) discussing the strategies and resources that DOT will use to achieve its goals, and (3) providing confidence that the performance information will be credible. For each of these areas, we also provide information on the degree to which DOT's fiscal year 2000 performance plan represents an improvement over the fiscal year 1999 plan. In addition, this report provides observations on the extent to which the Department has implemented performance-based management and the challenges the Department faces in becoming performance-based.

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**Results in Brief**

Overall, DOT's performance plan for fiscal year 2000 should be a useful tool for decisionmakers. It provides a clear picture of intended performance across the Department, a specific discussion of the strategies and resources that the Department will use to achieve its goals, and general confidence that the Department's performance information will be credible. For example, the performance goal for reducing recreational boating fatalities from 819 in fiscal year 1997 to 720 or fewer in fiscal year 2000 will be accomplished by activities of several U.S. Coast Guard programs—boating safety grants provided to the states, regulations developed by the Recreational Boating Safety program, and boat inspections conducted by the Coast Guard auxiliary. Figure 1 highlights the plan's major strengths and key weaknesses as DOT seeks to make additional improvements to its plan.

**Figure 1: Major Strengths and Key Weaknesses of DOT's Fiscal Year 2000 Performance Plan**

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**Major strengths**

- Contains results-oriented goals and quantifiable measures.
- Discusses strategies and resources for achieving intended performance.
- Describes efforts to verify and validate performance data and the data's limitations.

**Key weaknesses**

- Does not consistently link the strategic outcomes to the performance goals.
  - Does not consistently explain coordination strategies with outside organizations.
  - Does not consistently include goals and measures for addressing the management challenges facing the Department.
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DOT's fiscal year 2000 performance plan represents a moderate improvement over the fiscal year 1999 plan in that it indicates some degree of progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 plan. We observed that the fiscal year 1999 plan did not (1) sufficiently address management challenges facing the Department; (2) consistently link strategic goals, program activities, and performance goals; (3) indicate interagency coordination for crosscutting areas; or (4) provide sufficient information on external factors, the processes and resources for achieving the goals, and the performance data. Among the improvements in the fiscal year 2000 plan are more consistent linkages among the program activities and performance goals, additional information on external factors and strategies for achieving the goals, and a more comprehensive discussion of the data's quality. These improvements and other activities indicate that DOT has clearly made good progress in implementing performance-based management. For example, the plan indicates that the Department is incorporating the performance goals into performance agreements between the administrators of DOT's agencies and the Secretary. However, the plan still needs further improvement, especially in explaining how certain management challenges, such as financial management weaknesses, will be addressed. For example, DOT's Office of Inspector General (OIG) reported that the Department's accounting system could not be used as the only source of financial information to prepare its financial statements. While the fiscal year 2000 plan does not address this issue, the Department has recognized the financial reporting deficiencies identified by the OIG and is taking actions to correct them. The lack of accountability for financial activities is a key challenge that DOT faces in implementing performance-based management.

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## Background

The Results Act requires annual performance plans to cover each program activity set out in the agencies' budgets. The act requires the plans to (1) establish performance goals to define the level of performance to be achieved by a program activity; (2) express such goals in an objective, quantifiable, and measurable form; (3) briefly describe the strategies and resources required to meet performance goals; (4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity; (5) provide a basis for comparing actual results with the performance goals; and (6) describe the means to verify and validate information used to report on performance. DOT submitted to the Congress performance plans for fiscal years 1999 and 2000.

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## DOT's Performance Plan Provides a Clear Picture of Intended Performance Across the Department

DOT's performance plan provides a clear statement of the performance goals and measures that address program results. Program goals and measures are expressed in a quantifiable and measurable manner and define the levels of performance. However, the plan could be improved by consistently linking the performance goals and strategic outcomes and consistently describing interagency coordination for crosscutting programs and the Department's contribution to these programs. In addition, the plan could be improved by consistently describing how the management challenges facing the Department will be addressed, including how the Department will address certain financial management challenges identified by its OIG.

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## Performance Goals and Measures

DOT's plan includes performance goals and measures that address program results and the important dimensions of program performance. The goals and measures define the level of performance and activities for specific programs. For example, the performance goal for reducing recreational boating fatalities from 819 in fiscal year 1997 to 720 or fewer in fiscal year 2000 will be accomplished by the core activities of several U.S. Coast Guard programs—boating safety grants provided to the states, regulations developed by the Recreational Boating Safety program, and boat inspections conducted by the Coast Guard auxiliary.

The plan's goals and measures are objective, quantifiable, and measurable. For all except a few performance goals, DOT's plan includes projected target levels of performance for fiscal year 2000; for several goals, the plan includes multiyear targets. For goals that have no targets, an appendix to the plan explains why a target was not included. For nearly all of the goals

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and measures, the plan includes graphs that show baseline and trend data as well as the targets for fiscal years 1999 and 2000. The graphs clearly indicate trends and provide a basis for comparing actual program results with the established performance goals. For example, the performance goal for hazardous materials incidents has a graph that shows the number of serious hazardous materials incidents in transportation from 1985 through 1997. The graph also includes target levels for fiscal years 1999 and 2000 so a reader can conclude that this goal is not new in the fiscal year 2000 plan. If only a fiscal year 2000 target is indicated on a graph, the reader can assume that this is a new goal; however, this point is not explicit. The plan could be improved by indicating new goals that do not have a counterpart in the previous version.

In addition, the plan includes performance goals to resolve a few mission-critical management challenges identified by us and/or DOT's OIG.<sup>1</sup> (See app. I.) For example, we reported that the Federal Aviation Administration (FAA) had encountered delays in implementing security initiatives at airports. The plan includes a performance goal to increase the detection rate of explosive devices and weapons that may be brought aboard aircraft, which will help measure progress in implementing the security initiatives. However, for the majority of the management challenges that have been identified, the plan does not include goals and measures. For example, the plan lists several activities to address problems with FAA's \$41 billion air traffic control modernization program, which since 1995 we have identified as a high-risk information technology initiative. The plan could be improved by consistently including goals and specific measures for addressing the challenges.

In addition, the plan could be improved by more fully explaining how the Department will address certain financial management challenges identified by the OIG. For example, the OIG reported that the Department's accounting system could not be used as the only source of financial information to prepare its financial statements. The fiscal year 2000 plan does not address this issue. Additionally, we question whether the plan includes the most current or complete milestones for solving long-standing financial management weaknesses. For example, the plan states that in fiscal year 1999, FAA's new cost accounting system will capture financial information by project and activity for all of FAA's projects. However, according to FAA's fiscal year 1998 audit report, the cost accounting system

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<sup>1</sup>See our report entitled Major Management Challenges and Program Risks: Department of Transportation (GAO/OCG-99-13, Jan. 1999) and DOT OIG's report entitled Top Ten Management Issues: Department of Transportation (TW-1999-031, Dec. 9, 1998).

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that was scheduled to be operational by October 1, 1998, will not be fully implemented until March 31, 2001.

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## Strategic Outcomes

DOT's plan includes strategic outcomes for each of the Department's five strategic goals.<sup>2</sup> For example, for the strategic goal of safety, the Department aims to achieve six strategic outcomes—such as reducing the number of transportation-related deaths, the number and severity of transportation-related injuries, and the number of reportable transportation incidents and their related economic costs. The plan then lists specific annual performance goals that the Department will use to gauge its progress. However, in a few cases, the strategic outcomes have no related annual performance goals. For example, a strategic outcome related to mobility—to provide preventative measures and expeditious responses to natural and man-made disasters in partnership with other agencies to ensure that the Department provides for the rapid recovery of the transportation system—cannot be logically linked to any annual performance goals. The plan could be improved by including at least one annual performance goal for each strategic outcome.

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## Crosscutting Programs

For each performance goal, the plan typically mentions those federal agencies that have outcomes in common with the Department. The plan also indicates goals and measures that are being mutually undertaken to support crosscutting programs. For example, the plan states that both FAA and the National Aeronautics and Space Administration (NASA) have complementary performance goals to decrease by 80 percent the rate of aviation fatalities by the year 2007. However, the plan could be improved by describing the nature of the coordination and consistently discussing the Department's contribution to the crosscutting programs. The plan does not discuss the roles played by FAA and NASA and how their partnership will help reduce the rate of aviation fatalities.

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## Comparison With the Fiscal Year 1999 Plan

The discussion of performance goals and measures in DOT's fiscal year 2000 performance plan is a moderate improvement over the discussion in the fiscal year 1999 performance plan and shows some degree of progress in addressing the weaknesses that we identified in the fiscal year 1999 plan. We observed that the fiscal year 1999 plan could have been improved by (1) explaining how the management challenges are related to the rest of

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<sup>2</sup>DOT has five strategic goals relating to safety, mobility, economic growth and trade, the human and natural environment, and national security.

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the performance plan and by including goals and specific measures for addressing the challenges; (2) consistently linking strategic goals, program activities, and performance goals; and (3) indicating interagency coordination for the crosscutting programs and consistently discussing the Department's contribution to these programs. Among the improvements, the fiscal year 2000 plan describes the management challenges facing the Department, explains activities that will be undertaken to address them, and provides page citations for specific performance goals that address the challenges discussed elsewhere in the plan.

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## DOT's Performance Plan Provides a Specific Discussion of the Strategies and Resources the Department Will Use to Achieve Its Goals

DOT's plan provides a specific discussion of the strategies and resources that the Department will use to achieve its performance goals. The plan covers each program activity in the Department's \$51 billion proposed budget for fiscal year 2000. An appendix to the performance plan lists the Department's program activities and proposed funding levels by strategic goal. These funds are also mentioned in the discussions of strategic goals in the body of the plan.

For each performance goal, the plan lists an overall strategy for achieving it, as well as specific activities and initiatives. For example, DOT expects to increase transit ridership through investments in transit infrastructure, financial assistance to metropolitan planning organizations and state departments of transportation for planning activities, research on improving train control systems, and fleet management to provide more customer service.

However, our work has identified problems associated with some strategies. The plan identifies the rehabilitation of approximately 200 airport runways in the year 2000 as one of the activities contributing to the performance goal concerning the condition of runway pavement. We reported that there is a lack of information identifying the point at which rehabilitation or maintenance of pavement can be done before relatively rapid deterioration sets in. As a result, FAA is not in a position to determine which projects are being proposed at the most economical time.<sup>3</sup> We have also reported on strategies for addressing the performance goal of reducing the rate of crashes at rail-grade crossings, some of which are included in the performance plan. For example, the plan addresses two strategies noted in our report—closing more railroad crossings and

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<sup>3</sup>See *Airfield Pavement: Keeping Nation's Runways in Good Condition Could Require Substantially Higher Spending* (GAO/RCED-98-226, July 31, 1998).



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developing education and law enforcement programs—but does not address the installation of new technologies.<sup>4</sup>

For each performance goal, the plan also describes external factors, called special challenges, that can affect the Department's ability to accomplish the goal. For example, the performance goal for passenger vessel safety includes the external factors of (1) the remote and unforgiving environment at sea and human factors, which play an important role in maritime accidents; (2) the complexity of the operation and maintenance of passenger vessels; and (3) foreign and international standards that apply to vessels. The plan describes how particular programs, such as the marine safety program, will contribute to reducing the number of casualties associated with high-risk passenger vessels. The plan also indicates activities to address the external factors, including conducting oversight of technologically advanced vessels, such as high-speed ferries, and implementing and marketing the International Safety Management Code.

In discussing corporate management strategies, the plan briefly describes how the Department plans to build, maintain, and marshal the resources, such as human capital, needed to achieve results and greater efficiency in departmental operations. The corporate strategies are broadly linked to the strategic goals. For example, the plan states that the human resource management strategy supports the strategic goals by ensuring that DOT's workforce has the required skills and competencies to support program challenges. The plan lists four key factors that will contribute to this corporate strategy: workforce planning that will identify the need for key occupations; managing diversity; learning and development activities to support employees' professional growth; and redesigning human resource management programs, such as personnel and payroll processing.

In some cases, the plan lists specific programs under the corporate strategies but does not consistently identify the resources associated with them. For example, the plan discusses the completion of all remediation or appropriate contingency plans to make the computer systems ready for the year 2000 so that there are no critical system disruptions. However, there is no discussion of the resources needed to support this strategy.

The discussion of strategies and resources in DOT's fiscal year 2000 performance plan is much improved over the fiscal year 1999 plan. We

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<sup>4</sup>See *Railroad Safety: DOT Faces Challenges in Improving Grade Crossing Safety, Track Inspection Standards, and Passenger Car Safety* (GAO/T-RCED-96-114, Apr. 1, 1996).

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observed that the fiscal year 1999 plan generally did a good job of discussing the Department's strategies and resources for accomplishing its goals. However, we noted that the plan could have been improved in several ways, such as by more clearly describing the processes and resources required to meet the performance goals and recognizing additional external factors—such as demographic and economic trends that could affect the Department's ability to meet its goals. DOT's fiscal year 2000 plan contains such information.

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## DOT's Performance Plan Provides General Confidence That the Performance Information Will Be Credible

The Department's fiscal year 2000 performance plan generally provides a clear and comprehensive discussion of the performance information. The plan discusses the quality control procedures for verifying and validating data, which, it says, DOT managers follow as part of their daily activities, as well as an overall limitation to DOT's data—a lack of timeliness—and how the Department plans to compensate for this problem. In addition, for each performance measure, the plan provides a definition of the measure, data limitations and their implications for assessing performance, procedures to verify and validate data, the source database, and the baseline measure—or a reason why such information is missing. For example, the plan defines the performance measure for maritime oil spills—the gallons spilled per million gallons shipped—as counting only spills of less than 1 million gallons from regulated vessels and waterfront facilities and not counting other spills. The plan further explains that a limitation to the data is that they may underreport the amount spilled because they exclude nonregulated sources and major oil spills. However, the plan explains that large oil spills are excluded because they occur rarely, and, when they do occur, they would have an inordinate influence on statistical trends. The plan also explains that measuring only spills from regulated sources is more meaningful for program management.

However, in some cases, we found additional problems with DOT's data systems that could limit the Department's ability to assess performance. For example, the performance measure for runway pavement condition—the percentage of runway pavements in good or fair condition—is collected under FAA's Airport Safety Data Program. We reported that this information provides only a general pavement assessment for all runways. This information is designed to inform airport users of the overall conditions of the airports, not to serve as a pavement management tool. We further noted that these assessments are made by safety inspectors who receive little training in how to examine pavement

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conditions.<sup>5</sup> The performance plan acknowledges our concerns and states that FAA will update its guidance for inspecting and reporting the condition of runway pavement and will ensure that inspectors are aware of the guidance. However, as of March 1999, FAA had not updated its guidance for inspectors. According to the National Association of State Aviation Officials, which is under contract to FAA to conduct inspections and provide data on runway conditions, new guidance would require additional training for all inspectors, which is not provided for in the contract. In addition, we discuss problems with DOT's financial management information later in this report.

The discussion of data issues in DOT's fiscal year 2000 performance plan is much improved over that in the fiscal year 1999 plan and is well on its way to addressing the weaknesses that we identified in the fiscal year 1999 plan. We observed that the fiscal year 1999 plan provided a general discussion of procedures to verify and validate data, which was not linked to specific measures in the plan. For most measures, information about the data's quality was lacking. Among the improvements in the fiscal year 2000 plan is detailed information about each performance measure, which includes information on verification, validation, and limitations.

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## Other Observations on DOT's Implementation of Performance-Based Management

DOT is making good progress in setting results-oriented goals, developing measures to show progress, and establishing strategies to achieve those goals. However, the Department's progress in implementing performance-based management is impeded primarily by the lack of adequate financial management information.

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## Progress in Implementing Performance-Based Management

DOT has clearly made good progress in implementing performance-based management. The Department's September 1997 strategic plan and performance plan for fiscal year 1999 were both considered among the best in the federal government. And, as discussed in this report, DOT's fiscal year 2000 performance plan improves upon the fiscal year 1999 plan. Furthermore, our work has shown that prior to these Department-wide efforts, several of DOT's agencies made notable efforts in becoming performance-based.

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<sup>5</sup>See *Airfield Pavement: Keeping Nation's Runways in Good Condition Could Require Substantially Higher Spending* (GAO/RCED-98-226, July 31, 1998).

For example, in reviewing programs designated as pilots under the Results Act, we noted the successful progress of the Coast Guard's marine safety program. We reported that the Coast Guard's pilot program became more performance-based, changing its focus from outputs (such as the number of vessel inspections) to outcomes (saving lives). The Coast Guard's data on marine casualties indicated that accidents were often caused by human error—not by deficiencies in the vessels. Putting this information to use, the Coast Guard shifted its resources and realigned its processes away from inspections and toward other efforts to reduce marine casualties. We reported that the marine safety program not only improved its mission effectiveness—for example, the fatality rate in the towing industry declined significantly—but did so with fewer people and at lower cost.<sup>6</sup>

Additionally, in 1997, we cited the National Highway Traffic Safety Administration (NHTSA) as a good example of an agency that was improving the usefulness of performance information.<sup>7</sup> The agency's fiscal year 1994 pilot performance report provided useful information by discussing the sources and, in some cases, the limitations of its performance data. In 1998, we again cited NHTSA as a good example of an agency that was developing performance measures for outcome goals that are influenced by external factors.<sup>8</sup> Additionally, in 1997, we reported that the Federal Railroad Administration had shifted its safety program to focus on results—reducing railroad accidents, fatalities, and injuries—rather than the number of inspections and enforcement actions.<sup>9</sup>

The fiscal year 2000 performance plan indicates that the Department is taking further steps to instill performance-based management into its daily operations. According to the plan, DOT has incorporated all of its fiscal year 1999 performance goals into performance agreements between the administrators of DOT's agencies and the Secretary. At monthly meetings with the Deputy Secretary, the administrators are expected to report progress toward meeting these goals and program adjustments that may be undertaken throughout the year.

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<sup>6</sup>Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

<sup>7</sup>The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

<sup>8</sup>Managing for Results: Measuring Program Results That Are Under Limited Federal Control (GAO/GGD-99-16, Dec. 11, 1998).

<sup>9</sup>Rail Transportation: Federal Railroad Administration's New Approach to Railroad Safety (GAO/RCED-97-142, July 23, 1997).

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Finally, some individual agencies in DOT have developed performance information that includes leading indicators associated with the Department-wide goals. For example, the Department's fiscal year 2000 budget submission for FAA's facilities and equipment includes 10 performance goals—such as reducing the rate of accidents or incidents in which an aircraft leaves the pavement—related to reducing the fatal accident rate for commercial air carriers. According to DOT's performance plan, such indicators will be used to help assess the results of DOT's programs and provide a basis for redirecting them.

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### Challenges in Implementing Performance-Based Management

A key challenge that DOT faces in implementing performance-based management is the lack of accountability for its financial activities. In fact, serious accounting and financial reporting weaknesses at FAA led us to designate FAA's financial management as a high-risk area. From an overall perspective, DOT's accounting information system does not provide reliable information about the Department's financial performance. DOT's OIG has consistently reported that it has been unable to express an opinion on the reliability of DOT's financial statements because of, among other things, problems in the Department's accounting system. Although the fiscal year 1998 audit report stated that FAA is making significant progress, it cited deficiencies that include inaccurate general ledger balances and unreconciled discrepancies between the general ledger balances maintained in FAA's accounting system and subsidiary records. The OIG also cited problems with the Department's accounting systems that prevented the systems from complying with the requirements of the Federal Financial Management Improvement Act of 1996. The OIG concluded that for the Department's systems to comply with the requirements of the act, the Department needs, among other things, to modify its accounting system so that it is the only source of financial information for the consolidated financial statements. Concerns have also been expressed by the OIG about the number and total dollar amount of adjusting entries made outside the accounting system to prepare the financial statements. For example, FAA made 349 adjustments to its accounting records, which totaled \$51 billion, in the process of manually preparing its fiscal year 1998 financial statement.

DOT is taking actions to correct the financial reporting deficiencies that were identified by the OIG. On September 30, 1998, the Department submitted to the Office of Management and Budget (OMB) a plan that identified actions by DOT, especially FAA and the Coast Guard, to correct the weaknesses reported in the OIG's audits. For example, the plan called

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for DOT to complete physical counts of and develop appropriate support for the valuation of property, plant, equipment, and inventory at FAA and the Coast Guard.

Furthermore, the Department's ability to implement performance management is limited by the lack of a reliable cost accounting system or an alternative means to accumulate costs. As a result, DOT's financial reports (1) may not be capturing the full cost of specific projects and activities and (2) may lack a reliable "Statement of Net Cost," which includes functional cost allocations. The lack of cost accounting information also limits the Department's ability to make effective decisions about resource needs and to adequately control the costs of major projects, such as FAA's \$41 billion air traffic control modernization program. For example, without good cost accounting information, FAA cannot reliably measure the actual costs of its modernization program against established baselines, which impedes its ability to effectively estimate future costs. Finally, the lack of reliable cost information limits DOT's ability to evaluate performance in terms of efficiency and effectiveness, as called for by the Results Act.

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## Agency Comments

We provided the Department of Transportation (DOT) with the information contained in this report for review and comment. The Department stated that it appreciated our favorable review of its fiscal year 2000 performance plan and indicated that it had put much work into improving on the fiscal year 1999 plan by addressing our comments on that plan. DOT made several suggestions to clarify the discussion of its financial accounting system, which we incorporated. The Department acknowledged that work remains to be done to improve its financial accounting system and stated that it has established plans to do this. DOT also acknowledged the more general need for good data systems to implement the Results Act and indicated that it is working to enhance those systems.

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## Scope and Methodology

To assess the plan's usefulness for decisionmakers and maintain consistency with our approach in reviewing the fiscal year 1999 performance plan, we used criteria from our guide on performance goals and measures, strategies and resources, and verification and validation.<sup>10</sup> This guide was developed from the Results Act's requirements for annual performance plans; guidelines contained in OMB Circular No. A-11, part 2;

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<sup>10</sup>The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans, Version 1 (GAO/GGD-10.1.20, Apr. 1998).

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and other relevant documents. The criteria were supplemented by our report entitled Agency Performance Plans: Examples of Practices That Can Improve Usefulness to Decisionmakers (GAO/GGD/AIMD-99-69, Feb. 26, 1999), which builds on the opportunities for improvement that we identified in the fiscal year 1999 performance plans.<sup>11</sup> In addition, we relied on our knowledge of DOT's operations and programs from our numerous reviews of the Department. To determine whether the performance plan covered the program activities set out in DOT's budget, we compared the plan with the President's fiscal year 2000 budget request for DOT. To determine whether the plan covered mission-critical management issues, we assessed whether the plan included goals, measures, or strategies to address major management challenges identified by us or the OIG.<sup>12</sup> To identify the degree of improvement over the fiscal year 1999 plan, we compared the fiscal year 2000 plan with our observations on the previous plan.<sup>13</sup> We performed our review in accordance with generally accepted government auditing standards from February through April 1999.

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We are providing the Honorable Rodney E. Slater, Secretary of Transportation, and the Honorable Jacob J. Lew, Director, OMB, with copies of this report. We will make copies available to others on request. If you or your staff have any questions about this report, please call me at (202) 512-2834. Major contributors to this report are listed in appendix II.



Phyllis F. Scheinberg  
Associate Director,  
Transportation Issues

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<sup>11</sup>Managing for Results: An Agenda to Improve the Usefulness of Agencies' Annual Performance Plans (GAO/GGD/AIMD-98-228, Sept. 8, 1998).

<sup>12</sup>See Major Management Challenges and Program Risks: Department of Transportation (GAO/OCG-99-13, Jan. 1999) and DOT OIG's report entitled Top Ten Management Issues: Department of Transportation (TW-1999-031, Dec. 9, 1998).

<sup>13</sup>Results Act: Observations on the Department of Transportation's Annual Performance Plan for Fiscal Year 1999 (GAO/RCED-98-180R, May 12, 1998).

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List of Congressional Requesters

The Honorable Richard K. Arney  
Majority Leader  
House of Representatives

The Honorable Dan Burton  
Chairman, Committee on Government Reform  
House of Representatives

The Honorable Fred Thompson  
Chairman, Committee on Governmental Affairs  
United States Senate

The Honorable Richard C. Shelby  
Chairman, Subcommittee on Transportation  
Committee on Appropriations  
United States Senate

The Honorable John McCain  
Chairman  
The Honorable Ernest F. Hollings  
Ranking Minority Member  
Committee on Commerce,  
Science, and Transportation  
United States Senate

The Honorable Frank R. Wolf  
Chairman, Subcommittee on Transportation  
Committee on Appropriations  
House of Representatives

The Honorable Bud Shuster  
Chairman  
The Honorable James L. Oberstar  
Ranking Democratic Member  
Committee on Transportation  
and Infrastructure  
House of Representatives



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# Management Challenges

In January 1999, we reported on major performance and management challenges that have limited the effectiveness of the Department of Transportation (DOT) in carrying out its mission.<sup>14</sup> In December 1998, the Department's Office of Inspector General (OIG) issued a similar report on the Department.<sup>15</sup> Table I.1 lists the issues covered in those two reports and the applicable goals and measures in the fiscal year 2000 performance plan.

**Table I.1: Management Challenges at DOT**

Management challenge	Applicable goals and measures in the fiscal year 2000 performance plan
<p>Acquisition of major aviation and U.S. Coast Guard systems lacks adequate management and planning.</p> <ul style="list-style-type: none"> <li>•The Federal Aviation Administration's (FAA) \$41 billion air traffic control modernization program has experienced cost overruns, delays, and performance shortfalls.</li> <li>•The Coast Guard needs to more thoroughly address the justification and affordability of its \$9.8 billion project to replace/modernize its ships and aircraft.</li> </ul> <p>(DOT's OIG also identified air traffic control modernization as a top priority management issue.)</p>	<p>None. The plan, however, acknowledges that air traffic control modernization is a management issue that needs to be addressed. Furthermore, the plan states that DOT has formulated activities to address this issue.</p> <p>The plan also identifies the Coast Guard's acquisition project as a management issue and describes activities to address it.</p>
<p>Important challenges remain in resolving FAA's Year 2000 risks.</p> <p>(The OIG also identified this area as a management issue.)</p>	<p>None. However, the plan's corporate management strategies include an objective to complete all Year 2000 remediation or contingency plans so that there are no critical system disruptions.</p> <p>In addition, the plan states that the Year 2000 issue is a management challenge that needs to be addressed and identifies activities and milestones for addressing it.</p>
<p>FAA and the nation's airports face funding uncertainties. DOT and the Congress face a challenge in reaching agreement on the amount and source of long-term financing for FAA and airports.</p> <p>(The OIG also identified this area as a management issue.)</p>	<p>None. However, the plan identifies financing for FAA's activities as a major issue that the Department, the Congress, and the aviation community need to address. The plan also lists activities that FAA is undertaking to develop the information needed to make financing decisions.</p>

(continued)

<sup>14</sup>Major Management Challenges and Program Risks: Department of Transportation (GAO/OCG-99-13, Jan. 1999).

<sup>15</sup>Top Ten Management Issues: Department of Transportation (TW-1999-031, Dec. 9, 1998).

**Appendix I  
Management Challenges**

<b>Management challenge</b>	<b>Applicable goals and measures in the fiscal year 2000 performance plan</b>
<p>Aviation safety and security programs need strengthening.</p> <ul style="list-style-type: none"> <li>• Shortcomings in aviation safety programs include the need for FAA to improve its oversight of the aviation industry, record complete information on inspections and enforcement actions, provide consistent information and adequate training for users of weather information, and resolve data protection issues to enhance the proactive use of recorded flight data to prevent accidents.</li> <li>• FAA has encountered delays in implementing security initiatives at airports. Completing the initiatives will require additional funding and sustained commitment from FAA and the aviation industry.</li> <li>• FAA's computer security of its air traffic control systems is weak.</li> </ul> <p>(The OIG also identified aviation safety and transportation security as management issues.)</p>	<p>The plan includes performance goals to</p> <ul style="list-style-type: none"> <li>• reduce the fatal aviation accident rate for commercial air carriers and general aviation,</li> <li>• reduce the number of runway incursions,<sup>a</sup></li> <li>• reduce the rate of operational errors and deviations,<sup>b</sup></li> <li>• increase the detection rate for explosive devices and weapons that may be brought aboard aircraft, and</li> <li>• get threat information to those who need to act within 24 hours.</li> </ul> <p>In addition, the plan's corporate management strategies include objectives to</p> <ul style="list-style-type: none"> <li>• conduct vulnerability assessments on all new information technology systems to be deployed in fiscal year 2001 that fall under the purview of Presidential Decision Directive 63<sup>c</sup> and</li> <li>• ensure that all DOT employees receive or have received general security awareness training in fiscal years 1999 or 2000 and that 60 percent of the systems administrators receive specialized security training by September 30, 2000.</li> </ul> <p>The plan also identifies computer security as a management challenge that needs to be addressed.</p>
<p>A lack of aviation competition contributes to high fares and poor service for some communities. Increasing competition and improving air service will entail a range of solutions by DOT, the Congress, and the private sector.</p>	<p>None. The plan identifies airline competition as a management challenge. DOT has submitted to the Congress a number of legislative proposals to address the issue.</p>
<p>DOT needs to continue improving oversight of surface transportation projects. Many highway and transit projects continue to incur cost increases, experience delays, and have difficulties acquiring needed funding.</p> <p>(The OIG also identified this area as a management issue.)</p>	<p>None. The plan identifies surface transportation infrastructure needs as a management challenge and identifies activities to address the issue.</p>
<p>Amtrak's financial condition is tenuous. Since it began operations in 1971, Amtrak has received \$22 billion in federal subsidies. Because there is no clear public policy that defines the role of passenger rail in the national transportation system and because Amtrak is likely to remain heavily dependent on federal assistance, the Congress needs to decide on the nation's expectations for intercity rail and the scope of Amtrak's mission in providing that service.</p> <p>(The OIG also identified this area a management issue.)</p>	<p>None. The plan identifies the financial viability of Amtrak as a management challenge and states that, as a member of Amtrak's Board, DOT will work to address the issue.</p>

(continued)

**Appendix I  
Management Challenges**

<b>Management challenge</b>	<b>Applicable goals and measures in the fiscal year 2000 performance plan</b>
<p>DOT's lack of accountability for its financial activities impairs its ability to manage programs and exposes the Department to potential waste, fraud, mismanagement, and abuse. Since 1993, the OIG has been unable to express an opinion on the reliability of the financial statements of certain agencies within the Department. DOT also lacks a cost accounting system or alternative means of accumulating the full costs of specific projects or activities.</p> <p>(The OIG also identified this area as a management issue.)</p>	<p>None. However, the plan's corporate management strategies include objectives to</p> <ul style="list-style-type: none"> <li>• receive an "unqualified," or "clean," audit opinion on the Department's fiscal year 2000 consolidated financial statement and stand-alone financial statements;</li> <li>• enhance the efficiency of the accounting operation in a manner consistent with increased accountability and reliable reporting; and</li> <li>• implement a pilot of the improved financial systems environment in at least one operating administration.</li> </ul> <p>The plan identifies financial accounting as a management challenge facing the Department and addresses key weaknesses that should be resolved before DOT can obtain a "clean" opinion in fiscal year 2000.</p>
<b>Other areas identified by DOT's OIG</b>	
<p>DOT needs to address major surface transportation safety issues, such as</p> <ul style="list-style-type: none"> <li>• improving the Department's motor carrier safety program and taking prompt and meaningful enforcement actions for noncompliance,</li> <li>• increasing the level of safety of commercial trucks and drivers entering the United States from Mexico,</li> <li>• increasing seat belt usage,</li> <li>• reducing railroad grade-crossing and trespasser accidents,</li> <li>• improving compliance with safety regulations by entities responsible for transporting hazardous materials, and</li> <li>• enhancing the effectiveness of the Federal Railroad Administration's Safety Assurance and Compliance Program.</li> </ul>	<p>DOT's plan includes performance goals to</p> <ul style="list-style-type: none"> <li>• reduce the rate of fatalities involving large trucks,</li> <li>• increase seat belt usage nationwide,</li> <li>• reduce the rate of grade-crossing crashes,</li> <li>• reduce the rate of rail-related fatalities for trespassers,</li> <li>• reduce the number of serious hazardous materials incidents in transportation, and</li> <li>• reduce the rate of rail-related crashes and fatalities.</li> </ul>
<p>DOT needs to provide leadership to maintain, improve, and develop the port, waterway, and intermodal infrastructure to meet current and future needs. There is also a need to identify funding mechanisms to maintain and improve the harbor infrastructure of the United States.</p>	<p>DOT's plan includes performance goals to</p> <ul style="list-style-type: none"> <li>• reduce the percentage of ports reporting landside impediments to the flow of commerce and</li> <li>• ensure the availability and long-term reliability of the St. Lawrence Seaway's locks and related navigation facilities in the St. Lawrence River.</li> </ul>

(continued)

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**Appendix I  
Management Challenges**

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**Management challenge**

DOT faces several challenges in implementing the Government Performance and Results Act. Many of DOT's performance outcomes, such as improved safety, a reduction in fatalities and injuries, and well-maintained highways, depend in large part on actions by other federal agencies, states, and the transportation industry. Their assistance will be critical in meeting DOT's goals, which were developed under the Results Act. DOT's ability to achieve its goals will also be influenced by the effective utilization of human resources.

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**Applicable goals and measures in the fiscal year 2000 performance plan**

None. The plan identifies the Department's implementation of the Results Act as a management challenge and mentions activities to address the issue.

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<sup>a</sup>A runway incursion occurs when an aircraft, ground vehicle, or person enters or crosses a runway that is in active use for takeoffs or landings without adequate separation from aircraft cleared to use the runway.

<sup>b</sup>Pilots using instrument procedures rely on air traffic controllers' instructions to guide them. When aircraft are allowed to violate these separation standards, an operational error occurs. When aircraft are allowed to penetrate airspace that has not been precoordinated for that aircraft's use, an operational deviation occurs.

<sup>c</sup>Presidential Decision Directive 63, Critical Infrastructure Protection, requires the federal government to achieve and maintain the ability to protect our nation's critical infrastructure by 2003.

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