AGENCY FINANCIAL REPORT

U.S. Department of Transportation

FISCAL YEAR | 2024

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FOREWORD

The United States Department of Transportation's (DOT or Department) Agency Financial Report (AFR) for fiscal year (FY) 2024 provides an overview of the Department's financial performance and results to the Congress, the President, and the American people. The report details information about our stewardship over the financial resources entrusted to us. In addition, the report provides information about our performance as an organization, our achievements, our initiatives, and our challenges.

The AFR, the first in a series of reporting requirements enacted into statue by the laws mentioned below, provides readers with an overview of the Department's highest priorities, as well as our strengths and challenges.

The Department's FY 2024 annual reporting includes the following two components.

Agency Financial Report (AFR)

The following AFR is organized into three major sections.

The Management's Discussion and Analysis section provides executive-level information on the Department's history, mission, organization, and key activities; analysis of financial statements; systems, controls, and legal compliance; accomplishments for the fiscal year; management and performance challenges; and climate-related risk. A high-level summary of FY 2024 performance information is found on page 12 of the AFR.

The Financial Report section provides the Department's consolidated and combined financial statements, the notes to the financial statements, required supplementary information (RSI), and reports from the DOT Office of Inspector General (OIG) and the independent auditors.

The Other Information section provides Payment Integrity Information Act of 2019 (PIIA) reporting details and other statutory reporting requirements, including the Summary of Financial Statement Audit and Management Assurances; the Inspector General's FY 2025 Top Management Challenges; Civil Monetary Penalty Adjustments for Inflation; Grants Programs; Climate-Related Financial Risk; and Audit Resolution Report Summary and Table.

Annual Performance Report (APR)

The FY 2024 APR is scheduled for publication on January 17, 2025, in accordance with the Office of Management and Budget (OMB) Circular A-11. The APR will provide the detailed performance information and descriptions of results by each key performance measure. This report will also include trend data and a discussion of DOT's performance.

These two reports satisfy the reporting requirements of the following major legislation:

- Reports Consolidation Act of 2000;
- Government Performance and Results Act of 1993 (GPRA);
- Governmental Performance and Results Act Modernization Act of 2010 (GPRAMA);
- Chief Financial Officers Act of 1990 (CFO Act);
- Government Management Reform Act of 1994 (GMRA);
- Federal Managers' Financial Integrity Act of 1982 (FMFIA);
- Federal Financial Management Improvement Act of 1996 (FFMIA); and
- Payment Integrity Information Act of 2019 (PIIA).

The AFR and forthcoming APR are available on DOT's website at https://www.transportation.gov/mission/budget/dot-budget-and-performance-documents.

MESSAGE FROM THE SECRETARY

NOVEMBER 15, 2024

I am pleased to present the U.S. Department of Transportation's (DOT or the Department) Fiscal Year 2024 Agency Financial Report, which is our principal report to convey our commitment to sound financial management to the President, Congress, and the American people. It demonstrates our proper stewardship of public funds, and the delivery of quality data and information on the Department's fiscal operations.

The mission of DOT is to deliver the world's leading transportation system serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods.

In November 2021, when President Biden signed the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), he committed to delivering once-in-a-generation investments to rebuild American's infrastructure and maintain global competitiveness. In pursuit of our mission, DOT is breaking ground and cutting ribbons on transformative projects in our national transportation system that are creating good jobs, rebuilding our roads and bridges, improving safety, tackling legacy pollution, expanding bus and vehicle fleet electrification, and investing in communities that have too often been left behind. Thanks to President Biden's landmark infrastructure legislation, we have unprecedented resources to deploy in the service of our mission, delivering improvements that will endure for generations. DOT is stewarding billions in historic investments from BIL and allocating these resources accountably and efficiently to deliver monumental results.

Through our efforts, the Department continues to work to overcome serious challenges in the nation's transportation sector, including reducing air travel delays and cancellations; reversing the rise of roadway deaths in America; continuing to reduce train derailments; battling climate change caused by the transportation sector; responding to extreme weather and unexpected disasters, such as the Francis Scott Key Bridge collapse and the impacts of Hurricane Helene, all while battling decades-long transportation system inequities and keeping America's skies the safest in the world.

Since the passage of BIL in 2021, every state and region of this country has seen historic Federal investments announced in roads and bridges, ports and airports, and trains and transit. To date, DOT has provided nearly $454 billion in BIL funding, including over 63,000 specific projects and awards across over 4,500 communities in all 50 States, D.C., the territories and for Tribes. These projects range from bridge and roadway replacement, rehabilitation, or preservation, to improvements to passenger and freight rail, and to airport infrastructure improvements that have been announced, funded, or launched across the country. BIL continues to generate jobs throughout the country as the Department modernizes America's infrastructure. This is seen in the creation of more than 1.7 million manufacturing and construction jobs, and over 700,000 transportation sector jobs under the current Administration. Jobs that are growing our economy while giving equal employment opportunities to all Americans.

The Biden-Harris Administration's Investing in America agenda, which includes BIL, is catalyzing private sector investments. Since January 2021, private companies have announced nearly $880 billion in new investment. This includes over $410 billion in clean energy manufacturing, EVs and batteries, and clean power generation.

The Department prides itself on its strong history of accountability, responsibility, and financial stewardship to American taxpayers and for the dollars entrusted to us. The Department continues to prioritize effectiveness and efficiency to maximize the impact of DOT's operations in delivering the most from every taxpayer dollar to all Americans. As a result, DOT has been able to continue to provide world-class financial management and oversight of departmental funds. The Department will remain focused on advanced planning and improvements to our financial processes, systems, and control environment as it continues implementation of BIL. This will help to ensure continued delivery of BIL's generational opportunities.

Likewise, the Department's commitment to maintaining a best-in-class financial management environment, with strong internal controls, is unwavering. This also ensures that the Department awards, manages, and reports on financial management activities accurately and in compliance with overriding guidance and laws.

OVERVIEW OF THE FISCAL YEAR 2024 FINANCIAL RESULTS

I am pleased to share that for the 18th consecutive year, we have received an unmodified opinion, providing reasonable assurance that the financial statements are reported fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and Office of Management and Budget (OMB) Circular A-123 provide the framework within which departmental and operating administration managers determine whether adequate internal controls are in place and operating as they should. As noted in the accompanying correspondence to the President, the Department can provide reasonable assurance that its internal controls and financial management systems meet the objectives of FMFIA.

The Department's financial management systems have been found to be in substantial compliance with the Federal Financial Management Improvement Act of 1996, applicable financial systems requirements, the Federal accounting standards, and the U.S. Standard General Ledger at the transaction level. In accordance with OMB Circulars A-136 and A-11, the financial and performance data published in this report is complete and reliable.

The Department's continued accomplishments are the direct result of the dedication and perseverance our valued workforce. Their efforts continue to advance DOT's mission in support of the American people. I am proud to work alongside these remarkable public servants to deliver for all Americans.

Sincerely,

Pete Buttigieg

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

Department of Transportation (DOT) Mission

The Department's mission is to deliver the world's leading transportation system, serving the American people and economy through the safe, efficient, sustainable, and equitable movement of people and goods.

How DOT is Delivering Results through BIL

PRIORITIES	ACTIONS TAKEN
Safety Keeping traveling Americans safe	1,400+ communities in all 50 states have been funded to improve roadway safety for drivers, cyclists, and pedestrians. Conducted more than 7,500 RAIL SAFETY INSPECTIONS on hazardous material routes.
Climate and Sustainability Tackling the climate crisis by ensuring that transportation plays a central role	Provided more than $2.2 BILLION in funding to States and communities to build a nationwide EV charging network. This initial funding will electrify over 75,000 miles of roads. Funded more than 2,500 zero-emission transit buses over 3 years (FY 2022 – 2024).
Equity Reducing inequities across our transportation systems and communities	By the end of FY 2024, raised the small disadvantaged business utilization contract award dollars to 22.4% and exceeded the 21.5% goal. Funding $3.3 BILLION to improve mobility and access through the RECONNECTING COMMUNITIES. Awarded $1.03 BILLION to improve Accessibility at transit stations.
Transformation Engaging with emerging technologies to prepare for the future of transportation	Accelerated the deployment of UNCREWED AVIATION SYSTEMS AND ELECTRIC AIRCRAFT. Funded 59 SMART COMMUNITY technology demonstration projects for the use of connected vehicles, advanced traffic signals, and uncrewed aircraft systems.
Economic Strength and Global Competitiveness Growing an inclusive and sustainable economy	63,000+ construction projects are moving forward with BIL funding. 11,400+ projects to build, repair, or modernize bridges. 1,100+ airports are modernizing their terminals, expanding operations, or improving their runway infrastructure.
Organizational Excellence Strengthen our world-class organization	Ranked in the Top 10 of large agencies in the Best Places to Work in the Federal Government. Increased recruitment at 15 Historically Black Colleges and Universities.

Overview of Legislative Authorities

The Secretary of Transportation, under the direction of the President, exercises leadership in transportation matters. Section 101 of Title 49, United States Code (U.S.C.), describes the DOT purposes as follows:

A. The national objectives of general welfare, economic growth and stability, and security of the United States require the development of transportation policies and programs that contribute to providing fast, safe, efficient, and convenient transportation at the lowest cost consistent with those and other national objectives, including the efficient use and conservation of the resources of the United States.

B. A Department of Transportation is necessary in the public interest and to—

1. ensure the coordinated and effective administration of the transportation programs of the United States Government;
2. make easier the development and improvement of coordinated transportation service to be provided by private enterprise to the greatest extent feasible;
3. encourage cooperation of Federal, state, and local governments, carriers, labor, and other interested persons to achieve transportation objectives;
4. stimulate technological advances in transportation, through research and development (R&D) or otherwise;
5. provide general leadership in identifying and solving transportation problems; and
6. develop and recommend to the President and the Congress transportation policies and programs to achieve transportation objectives considering the needs of the public, users, carriers, industry, labor, and national defense.

Organization

Established in 1966, DOT sets Federal transportation policy and works with state, local, and private-sector partners to promote a safe, secure, efficient, and interconnected national transportation system of roads, railways, pipelines, airways, and seaways.

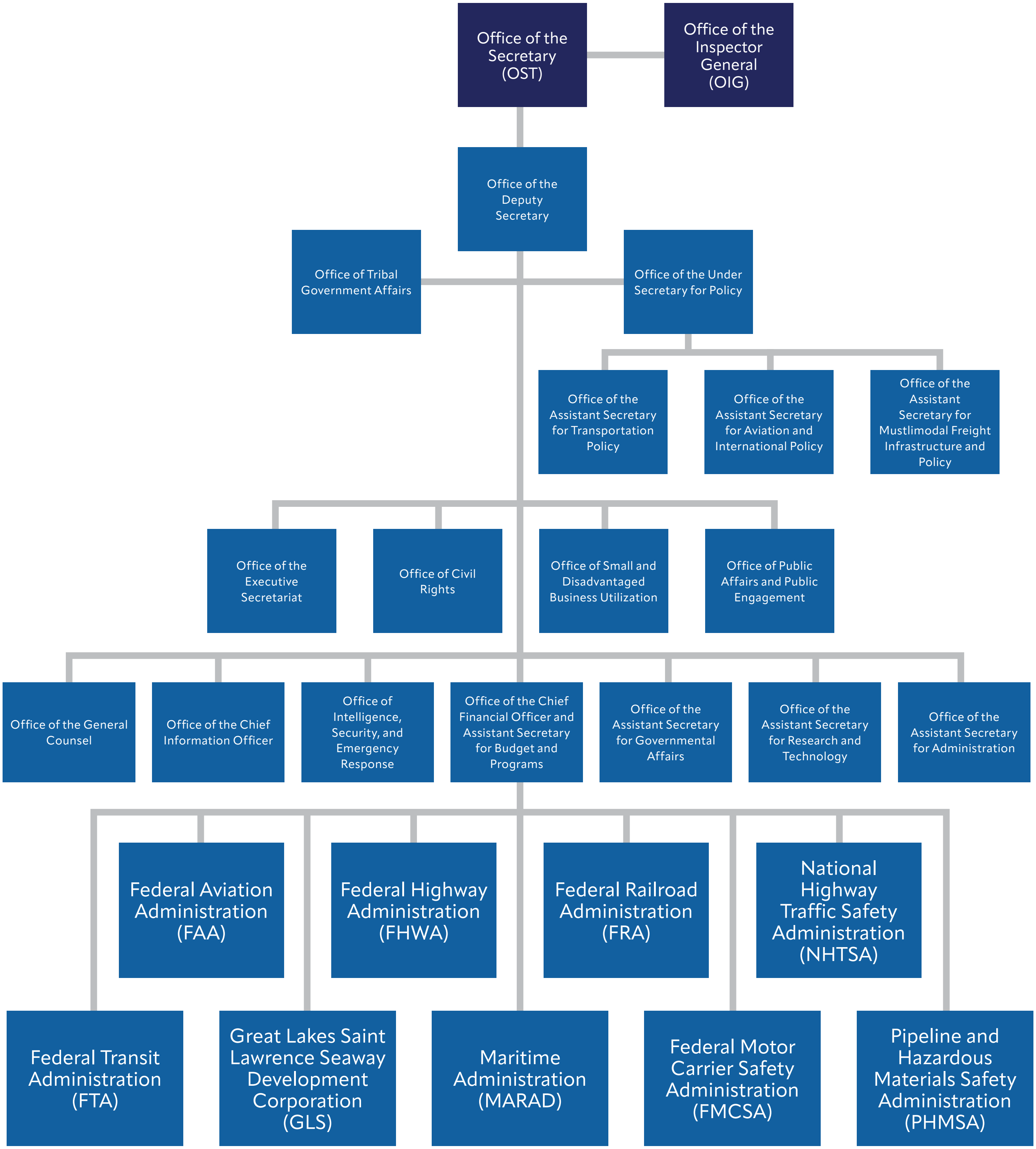
DOT employs more than 57,400 people in the Office of the Secretary (OST) and through 10 Operating Administrations (OAs) and Bureaus, each with its own management and organizational structure.

OST provides overall leadership and management direction; administers aviation, economic, and consumer protection programs; and provides administrative support. The Office of Inspector General (OIG), although formally part of DOT, is independent by law.

Getting to Know DOT

11	Operating Administrations	57,400	Uniquely Skilled Employees
Agency Strategic Goals	6	BIL Five-year Transportation Funding	$660B
40k	DOT projects funded since BIL	24	24-month period to accomplish Agency Priority Goals

Organizational Chart



Operating Administrations and Independent Organizations

Office of the Secretary (OST)

The Office of the Secretary oversees the formulation of national transportation policy and promotes intermodal transportation. Other responsibilities include negotiating and implementing international transportation agreements, assuring the fitness of U.S. airlines, enforcing airline consumer protection regulations, issuing regulations to prevent alcohol and illegal drug misuse in transportation systems, and preparing transportation legislation.

Office of Inspector General (OIG)

The Office of Inspector General enhances DOT's programs and operations by conducting objective investigations and audits on behalf of the American public.

Federal Aviation Administration (FAA)

The Federal Aviation Administration's mission is to provide the safest, most efficient aerospace system in the world.

Federal Highway Administration (FHWA)

The mission of the Federal Highway Administration is to deliver a world-class system that advances safe, efficient, equitable, and sustainable mobility choices for all while strengthening the Nation's economy.

Federal Railroad Administration (FRA)

The mission of the Federal Railroad Administration is to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future.

National Highway Traffic Safety Administration (NHTSA)

The National Highway Traffic Safety Administration's mission is to save lives, prevent injuries, and reduce economic costs due to road traffic crashes through education, research, safety standards, and enforcement.

Operating Administrations and Independent Organizations *(CONT.)*

U.S. Department of Transportation
Federal Transit Administration

Federal Transit Administration (FTA)

The Federal Transit Administration's mission is to improve America's Communities through Public Transportation.

Great Lakes St. Lawrence Seaway Development Corporation (GLS)

The Great Lakes St. Lawrence Seaway Development Corporation is responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. This responsibility includes maintaining and operating the two U.S. Seaway locks located in Massena, N.Y., maintaining the channels and navigational aids in U.S. waters, and performing vessel traffic control operations in areas of the St. Lawrence River and Lake Ontario. In addition, the GLS performs economic and trade development activities designed to enhance Great Lakes St. Lawrence Seaway System utilization.

Maritime Administration (MARAD)

The Maritime Administration's mission is to foster, promote, and develop the maritime industry of the United States to meet the Nation's economic and security needs.

U.S. Department of Transportation
Federal Motor Carrier Safety Administration

Federal Motor Carrier Safety Administration (FMCSA)

The Federal Motor Carrier Safety Administration's mission is to save lives and reduce crashes and injuries by advancing large truck and bus safety through collaboration, education, research, technology, and compliance.

U.S. Department of Transportation
Pipeline and Hazardous Materials Safety Administration

Pipeline and Hazardous Materials Safety Administration (PHMSA)

The Pipeline and Hazardous Materials Safety Administration's mission is to protect people and the environment by advancing the safe transportation of energy and other hazardous materials that are essential to our daily lives.

Performance Summary and Highlights

Overview of Strategic and Agency Priority Goals

The Government Performance and Results Act of 1993 (GPRA) and the Government Performance and Results Act Modernization Act of 2010 (GPRAMA) require Federal agencies to update their Strategic Plan every four years at the beginning of an Administration's new term. The Department is guided by strategic goals and objectives, which are outcome-oriented, long-term goals for the major functions and operations of DOT that are updated every four years.

The DOT Fiscal Year (FY) 2022 – 2026 Strategic Plan has six strategic goals. DOT aligns its focus, strategies, and activities to achieve these strategic goals and objectives.

Many of the strategic objectives, which reflect the more specific outcomes or management impacts that DOT is trying to achieve in these strategic goals, support the transformational initiatives made possible by the BIL, which was enacted in November 2021.

The table below summarizes the strategic goals and objectives established in the Department's 2022 – 2026 Strategic Plan.

Strategic Goal	Objective
1: Safety Make our transportation system safer for all people. Advance a future without transportation-related serious injuries and fatalities.	1.1 Safe Public 1.2 Safe Workers 1.3 Safe Design 1.4 Safe Systems 1.5 Critical Infrastructure Cybersecurity
2: Economic Strength and Global Competitiveness Grow an inclusive and sustainable economy. Invest in our transportation system to provide American workers and businesses reliable and efficient access to resources, markets, and good-paying jobs.	2.1 Job Creation and Fiscal Health 2.2 High-Performing Core Assets 2.3 Global Economic Leadership 2.4 Resilient Supply Chains 2.5 System Reliability and Connectivity
3: Equity Reduce inequities across our transportation systems and the communities they affect. Support and engage people and communities to promote safe, affordable, accessible, and multimodal access to opportunities and services while reducing transportation-related disparities, adverse community impacts, and health effects.	3.1 Expanding Access 3.2 Wealth Creation 3.3 Power of Community 3.4 Proactive Intervention, Planning and Capacity Building
4: Climate and Sustainability Tackle the climate crisis by ensuring that transportation plays a central role in the solution. Substantially reduce greenhouse gas (GHG) emissions and transportation-related pollution and build more resilient and sustainable transportation systems to benefit and protect communities.	4.1 Path to Economy-Wide Net Zero Emissions by 2050 4.2 Infrastructure Resilience 4.3 Climate Justice and Environmental Justice
5: Transformation Design for the future. Invest in purpose-driven research and innovation to meet the challenges of the present and modernize a transportation system of the future that serves everyone today and in the decades to come.	5.1 Matching Research and Policy to Advance Breakthrough 5.2 Experimentation 5.3 Collaboration and Competitiveness 5.4 Flexibility and Adaptability
6: Organizational Excellence Strengthen our world-class organization. Advance the Department's mission by establishing policies, processes, and an inclusive and innovative culture to effectively serve communities and responsibly steward the public's resources.	6.1 Customer Service 6.2 Workforce Development 6.3 Data-Driven Programs and Policies 6.4 Oversight, Performance, and Technical Assistance 6.5 Sustainability Initiatives 6.6 Enterprise Cyber Risks

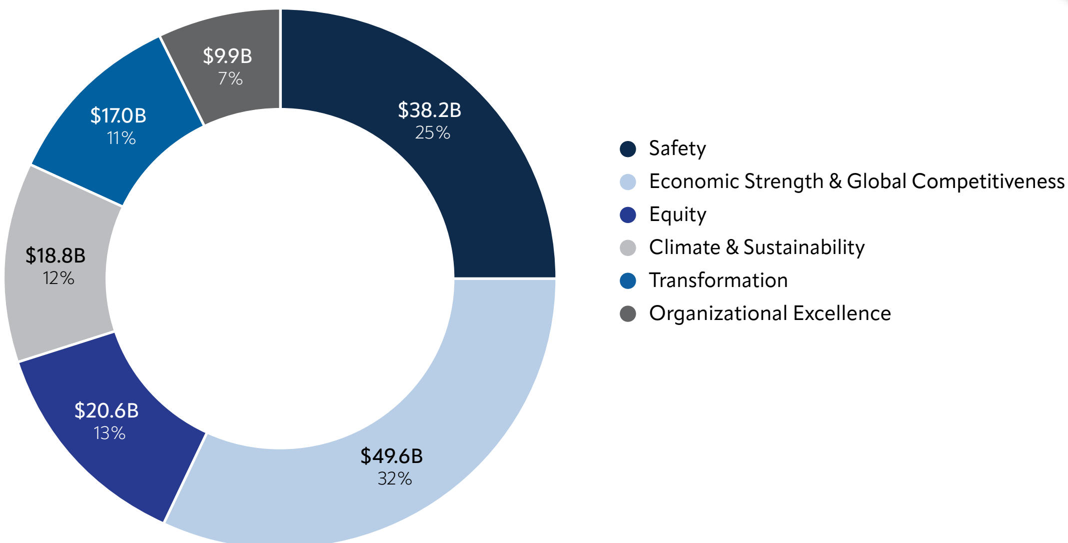
The Department's Annual Performance Plan reinforces the connection between the long-term goals outlined in the Strategic Plan and the day-to-day activities. The Annual Performance Report (APR) provides updates on program performance and achievements to enable policymakers, Federal managers, and the public to assess how well the Department has made use of its resources. As noted earlier, additional detailed performance information and results will be released in the APR in early 2025.

DOT's Budget Request by Strategic Goal reflects the priorities outlined in the APR and how the proposed division of resources would be dedicated to reaching the performance goal targets.

Did You Know This About BIL?

196,000+ miles of roadway are being repaired or improved from coast to coast - enough to cross the U.S. 60 times.

2024 DOT Budget Request by DOT Strategic Goal



Successful and Effective Performance Management

Federal law at 31 U.S.C 1115, as amended by the GPRAMA, requires agencies to establish performance goals with targets for the next two years. It provides the foundation by which Federal agencies are held accountable for establishing management processes and setting performance goals and objectives that deliver results for the American taxpayer. The law is designed to create a culture where data and empirical evidence plays a greater role in policy, budget, and management decisions. The Department of Transportation uses performance goals to observe progress and measure actual results compared to set targets.

In FY 2024, DOT assessed 125 performance goals to improve the efficiency and effectiveness of departmental programs and activities. To identify strategic objectives as either an "area of noteworthy progress" or "focus area for improvement," the Department reviewed performance for each Strategic Objective taking into consideration the analysis of FY 2023 results – which is the most recent year for which complete data are available - and FY 2024 internal strategic reviews. Using these inputs, the Department designated the following Strategic Objectives as an "area of noteworthy progress" or "focus area for improvement":

- **Noteworthy Progress** – Strategic Objective **1.4** Safe Systems and Strategic Objective **5.2** Experimentation.
- **Focused Area for Improvement** – Strategic Objective **1.1** Safe Public and **2.2** High-Performing Core Assets.

Progress updates on these designated strategic objectives are included in the forthcoming FY 2024 APR available in early 2025.

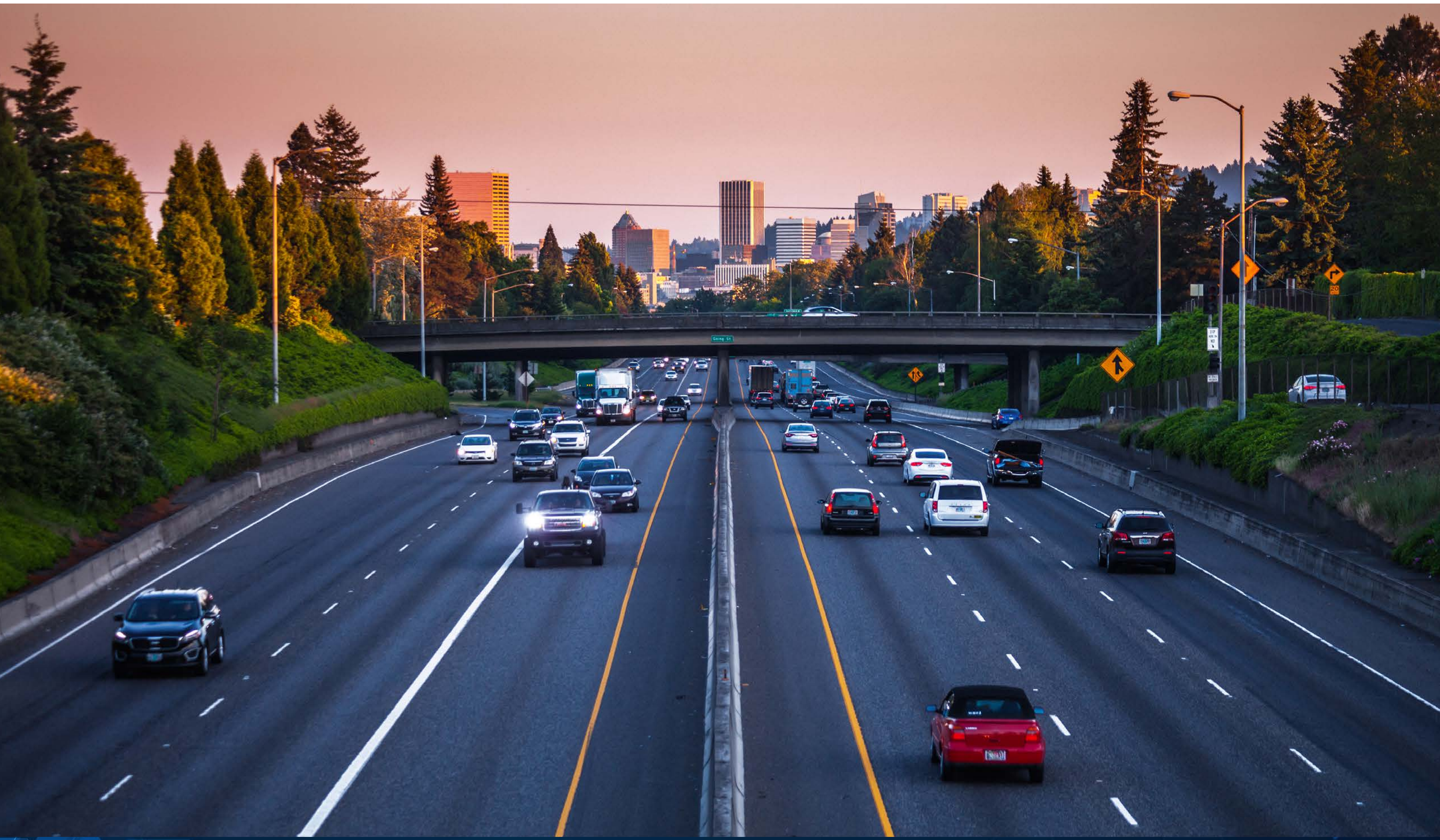
DOT prioritized Performance Management Reviews (PMR), an enterprise level performance discussion with operating administrations to drive data-driven decision making for the Department. PMR supported performance management and helped the Department monitor each mode's progress towards performance goals on a quarterly basis. These data-driven reviews and discussions helped improve the results of DOT programs and the effectiveness and efficiency of our operations.

Agency Priority Goals

Agency Priority Goals (APGs) provide mechanisms to focus leadership priorities, set outcomes, and measure results within a 24-month period. APG results rely on strong agency implementation and do not require new legislation or additional funding.

The Department has five APGs reflecting the Biden-Harris Administration's leadership on climate and equity, the Department's continued commitment to maintaining the safest transportation system in the world, and the historic investments in transportation infrastructure from BIL. For this report, DOT chose to highlight the achievements of its five APGs, detailed below. For additional information on DOT's APG accomplishments, please refer to Performance.gov.

- **Roadway Safety:** Reduce Roadway-Related Fatalities
- **Aviation Safety:** Increase Aviation Safety for the Flying Public
- **High-Performing Core Assets:** Improve the condition/performance of Federally funded portions of the Nation's transportation systems
- **Equity:** Increase Wealth Creation Opportunities for Underserved Communities
- **National EV Charging Network:** Joint DOT/U.S. Department of Energy (DOE) Electric Vehicle (EV) Charging Infrastructure Deployment Under BIL

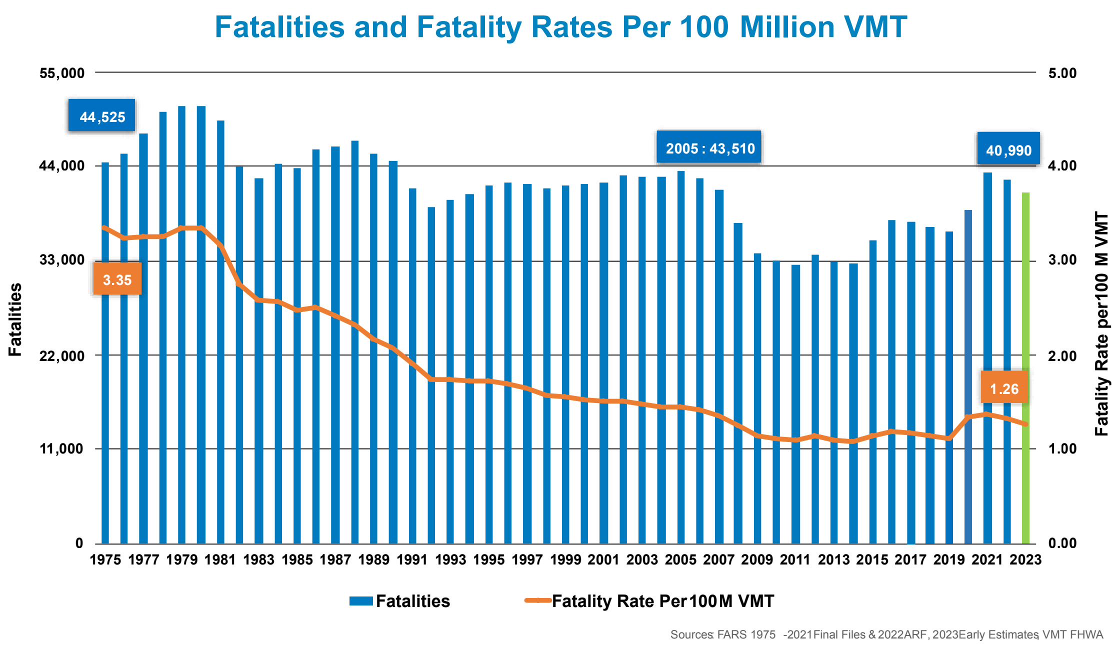


Roadway Safety – Supporting Strategic Goal 1

Goal Statement: DOT carries out a range of critical efforts to reduce roadway fatalities. Based on this work, by September 30, 2025, the Department will reduce the rate of total roadway fatalities from its 2023 level of 1.26 fatalities per 100 million vehicle miles traveled (VMT) to 1.20 fatalities per 100 million VMT or lower.

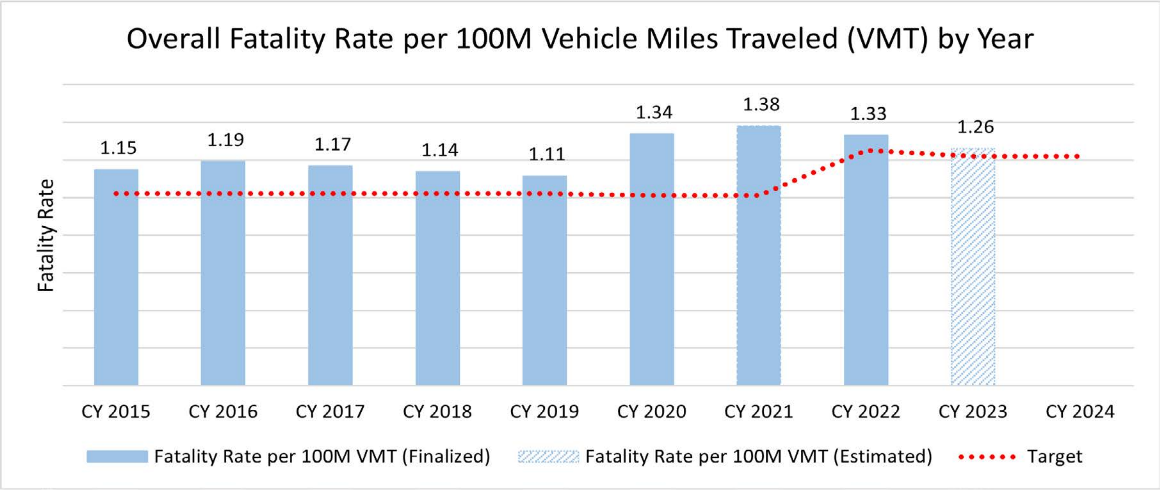
Almost 95% of people who die using our Nation's transportation networks are killed on our streets, roads, and highways,[4] and this threat to our safety continues to be a public health crisis. An estimated 40,990 people died in motor vehicle traffic crashes on U.S. roads in 2023.[5] More than 370,000 people died in transportation incidents over the last decade (2011-2020) in the United States. More than 350,000 of them died on our roads.[6]

The figure below illustrates the roadway fatalities trends over the last decades the Roadway trends:



RESULTS

The figure below illustrates this goal's most recently reported results of the key indicators from FY 2024:



**The Calendar Year (CY) 2023 fatality rate is an estimated value only, is subject to change, and only available for the overall fatality rate. The projected fatality rate for the first half of 2024 decreased to 1.17 fatalities per 100 million VMT, down from the projected rate of 1.21 fatalities per 100 million VMT in the first half of 2023.*

4 National Roadway Safety Strategy (transportation.gov)
5 Crash*Stats: Early Estimate of Motor Vehicle Traffic Fatalities in 2023 (dot.gov)
6 National Roadway Safety Strategy (transportation.gov)

DOT aims to make our roadways safer for everyone by pursuing actions in the areas of infrastructure, human behavior, responsible oversight of the vehicle and transportation industry, and emergency response. The National Roadway Safety Strategy (NRSS) outlines what the Department is doing and describes the major actions to work with partners in every sector to address this crisis.

Accomplishing the critical milestones set by the Goal Team and monitoring the key performance indicators of this APG drive implementation of that National Strategy and ensure DOT can deliver on the longer-term outcomes.

Did You Know This About FMCSA?

The FMCSA Contact Center is the Agency's "front-door" for customers to maintain compliance, obtain answers to their questions, and learn about new Agency initiatives. Currently, FMCSA has 11 separate contact/call centers. The Agency is planning to either replace or integrate these call centers over the next 4+ years.

Aviation Safety – Supporting Strategic Goals 1 and 2

Goal Statement: Increase aviation safety for the flying public. By September 30, 2025, the FAA will reduce the commercial air carrier fatality rate to below 4.4 fatalities per 100 million persons on board and reduce general aviation fatal accidents to below 0.92 fatal accidents per 100,000 flight hours. Ensure safe integration of Near-Term Advanced Air Mobility (AAM) Operations.

Success in achieving this APG includes working with aviation industry stakeholders to establish and implement safety management systems (SMS) to reduce commercial aviation risk. Success includes working with the general aviation community and industry to identify precursors to accidents, develop a greater understanding of human factors in accidents, and implement agreed-upon safety risk mitigations.

Success also includes integrated AAM operations with Original Equipment Manufacturers (OEMs) and/or operators flying between multiple origins and destinations at one or more locations in the U.S. by 2028. This will be a major milestone on the AAM evolutionary continuum and the path to full integration and operations at scale of AAM across the National Airspace System (NAS). To achieve this success FAA will develop a government wide national strategy and implementation plan for integration of varied AAM technologies into the NAS and implement policies to mitigate the risks of AAM.

RESULTS

The tables below illustrates this goal's most recently reported results of the key indicators from FY 2024:

Reduce U.S.-Owned Commercial Carrier Aviation Fatalities per 100 Million Persons on Board							
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
U.S.-Owned Commercial Carrier Fatalities per 100 Million Persons on Board	Targets	5.9	5.7	5.4	5.2	4.9	4.7
	Actual	0.5	0.6	0	1.4	0.1	0.0*

**As of September 30, 2024. FY 2024 data will be finalized in FY 2025 Q1.*

Reduce U.S. General Aviation Fatal Accidents per 100,000 Flight Hours (FAA)							
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
U.S. General Aviation Fatal Accidents per 100,000 Flight Hours	Targets	0.98	0.97	0.96	0.95	0.94	0.93
	Actual	0.95	0.91	0.75	0.89	0.74*	0.68**

**FY 2023 data will be finalized in FY 2025 Q1.*
***As of September 30, 2024. FY 2024 data will be finalized in FY 2026 Q1.*

High-Performing Core Assets – Supporting Strategic Goal 2

Goal Statement: Improve the condition/performance of Federally funded portions of the Nation's transportation systems. By September 30, 2025, the Department will be on track to achieve three 2030 long-term goals: Fix the 10 Most Economically Significant Bridges and Repair the 15,000 In-Most-Need Smaller Bridges by 2030; Construct a Total of 30 Staffed Airport Traffic Control Towers (ATCT) and Increase the Number of Zero-Emission Bus (ZEB) Vehicles in the National Transit Fleet by 450% to 7,500 Vehicles.

Achieving success with this APG would mean investing in transportation infrastructure and providing innovative and inclusive options for the traveling public.

FHWA programs focus on improving the condition of bridges in poor condition and supporting activities to prevent bridges in fair condition from dropping to poor condition. Success would be reflected by improved safety, efficiency, and reliability of the movement of people and freight by replacing, rehabilitating, preserving, and protecting bridges in the National Bridge Inventory (NBI). The numbers within the goal indicator reflect informed estimates on how investments

Did You Know This About FAA?

Every day the FAA provides safe and efficient air navigation services to more than 45,000 flights and 2.9 million airline passengers across more than 29 million square miles of airspace, including the United States, large portions of the Atlantic and Pacific Oceans and the Gulf of Mexico.

made by both the Bridge Formula Program and Bridge Investment Program might affect the condition of the inventory of existing highway bridges across the country. This goal reports on bridge authorizations of Federal funds from Financial Management Information Systems and not bridge condition data from the NBI database, which are only updated in the year following a safety inspection. Economically-significant bridges are defined as those receiving a Federal investment of $100 million or more to be either repaired or replaced. These investments may come from the Bridge Investment Program, or from one of DOT's multi-modal discretionary grant programs.

The FAA aims to complete construction of 30 staffed ATCT by 2030. Proactively planning the main phases of the process is key to success, and FAA engaged into planning work in the fall of FY 2022, even before BIL was enacted. After awarding the standard, sustainable Tower Design contract in FY 2023, the FAA completed the design to 100% in FY 2024. FAA's goal was to create a design for towers less than 120 feet tall and over 40 years old. Each tower is designed to be as close as possible to 'carbon neutral' and the contract team ensured the design incorporated key sustainability elements, such as all-electric building systems, materials, and products free from chemicals known to pose health risks and a thermally efficient façade. The FAA began procurement activities for Site Adaptation and Construction efforts. The next major phase is the award of a first small tower construction contract in FY 2025. Timely replacement of Air Traffic Control facilities allows the Department to advance toward its strategic objective of maintaining high-performing core assets.

By the end of FY 2025, FTA aims to increase the number of ZEB in the national fleet to at least 3,000, a 121% increase over the 2021 baseline. Increasing the number of ZEB vehicles will contribute to modernizing transit agencies' vehicle assets and increasing environmental benefits of transit.

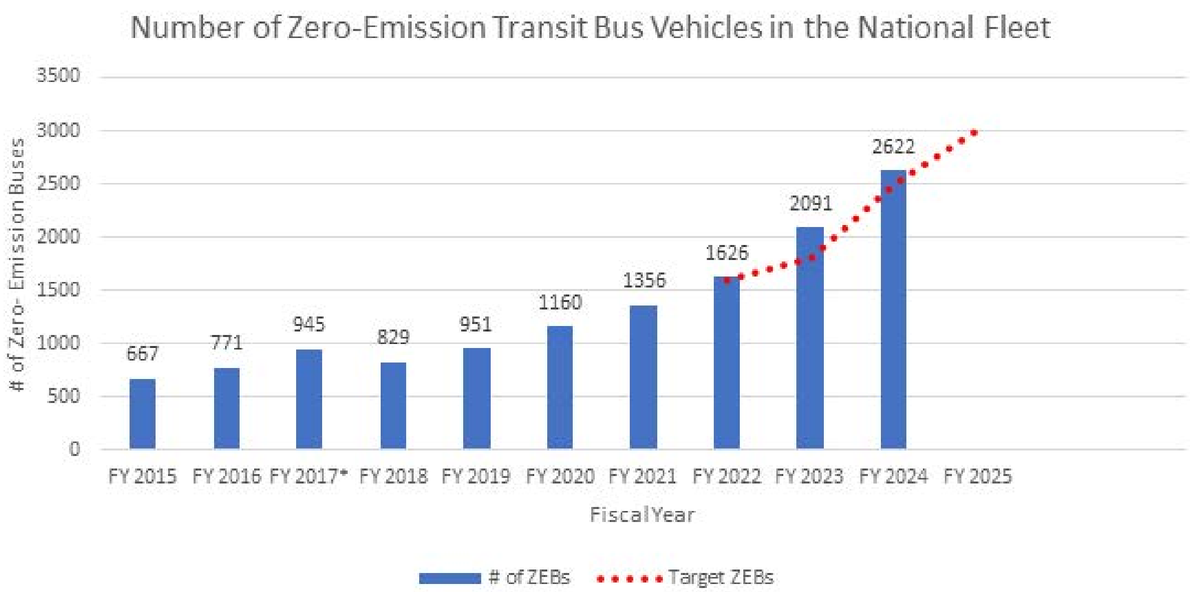
RESULTS

The figures below illustrates this goal's most recently reported results of the key indicators from FY 2024:

Number of Project Authorizations for the 15,000 In-Most-Need Smaller Bridges (Quarterly)

Baseline	FY2022 Q1 Actual	FY2022 Q2 Actual	FY2022 Q3 Actual	FY2022 Q4 Actual	FY2023 Q1 Actual	FY2023 Q2 Actual	FY2023 Q3 Actual	FY2023 Q4 Actual	FY2023 Annual Target	FY2023 Annual Actual	FY2024 Q1 Actual	FY2024 Q2 Actual	FY2024 Q3 Actual	FY2024 Q4 Actual	FY2024 Annual Target	FY2024 Annual Actual
FY2021 0	889	881	698	1,299	858	1,021	824	1,344	3,000	4,047	796	823	798	1,214	3,000	3,631*

** As of November 4, 2024.*



Equity – Supporting Strategic Goal 3

Goal Statement: Increase wealth creation opportunities for underserved communities. By September 30, 2025, DOT commits to raise the small disadvantaged business utilization contract award dollars from 18.2% in FY 2021 to 21.5%. In doing so, DOT aims to increase wealth creation opportunities for underserved communities through direct procurement mechanisms.

Achieving success with this APG would mean an increase in the number of new small and disadvantaged businesses securing contracts with DOT. Accomplishing this goal will assist small and disadvantaged businesses in building capital, expanding business networks, and providing innovative solutions and expertise through DOT contracts.

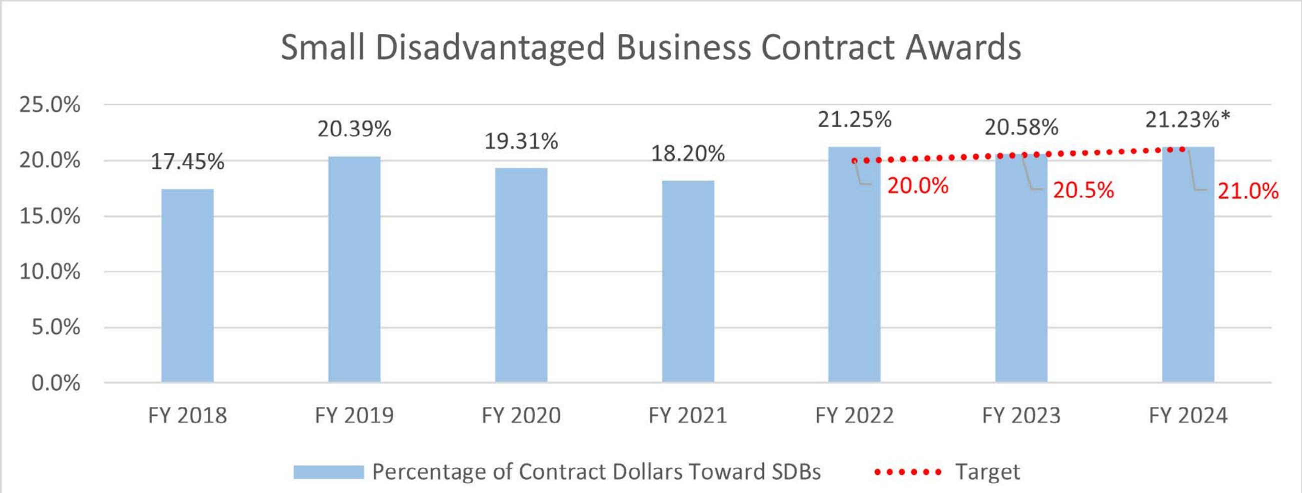
By the end of FY 2023 DOT had increased the small, disadvantaged business utilization contract award dollars to $2.039 billion, or 22.83% of the Department's total annual spend. All major milestones and goal targets for the Agency Priority Goal for increasing wealth creation opportunities for underserved communities have been successfully met.

Did You Know This About FHWA?

FHWA'S Safe Routes to Schools program empowers communities and improves safety, health, happiness, and air quality!

RESULTS

The figure below illustrates this goal's reported key indicator results from FY 2024:



** FY 2024 Data for transactions between 10/1/2023 through 9/30/2024; Source: SAM.gov; considered preliminary until certified by SBA*

National EV Charging Network – Supporting Strategic Goal 4

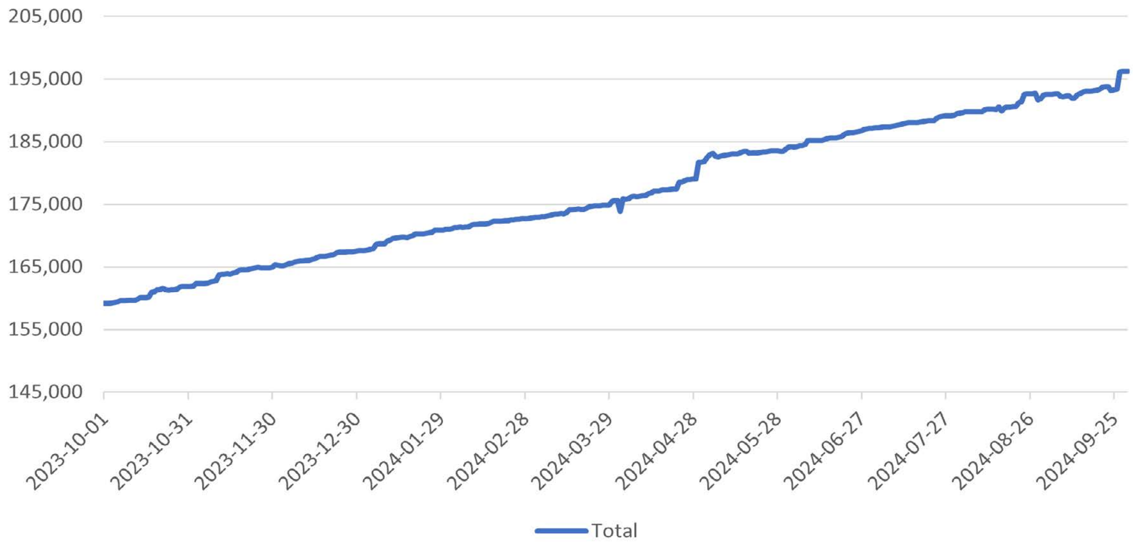
Goal Statement: Deploy EV Charging Infrastructure Under the Infrastructure Investment and Jobs Act (IIJA) towards a National Network of at least 500,000 EV Chargers by 2030 so that everyone can ride and drive electric. The Joint Office of Energy and Transportation, in conjunction with DOT and DOE, will support the increased deployment of publicly available EV charging ports to 310,000 by the end of CY 2025.

IIJA and the Inflation Reduction Act (IRA) make the most transformative investment in EV charging in U.S. history accompanied by an unprecedented level of private sector investment into EV and charging infrastructure. Taken together, these present a generational opportunity and imperative to help tackle the climate crisis, create good-paying union jobs to build the clean energy economy, and facilitate American innovation and energy independence. We are building toward a nationwide network of at least 500,000 EV chargers by 2030 that ensures a convenient, reliable, affordable, and equitable charging experience for all users.

RESULTS

The figure below illustrates this goal's reported results of the key indicators from FY 2024:

Growth in Publicly Available EV Charging Ports (CY 24 Goal of 220,000)
Total Level 2 and DC FAST EV Supply Equipment Ports, 10/1/2023-9/30/2024



**Note: On April 2, 2024, one of the charging networks had a technical issue with their API data displayed in the [Alternative Fuels Data Center](#) that results in a drop in number of ports on that day. The issue has since been resolved.*

Did You Know This About EVs?

There are more than 196,000 charging ports available across every state in more than 71,800 locations as of today.

Financial Highlights

The financial statements and financial data presented in this report were prepared from the accounting books and records of DOT in conformity with generally accepted accounting principles (GAAP). GAAP for Federal entities are the standards and other authoritative pronouncements prescribed by the Federal Accounting Standards Advisory Board (FASAB). Department management is responsible for the integrity and fair presentation of the financial information presented in these statements.

The Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF), receive nonexchange funding support from the dedicated collection of excise taxes and receive their budget authority in the form of contract authority and direct appropriations.

On October 5, 2018, former President Trump signed the FAA Reauthorization Act of 2018 (Public Law (P.L.) 115-254), which extended the AATF authorizations and related revenue authorities to September 30, 2023. The Continuing Appropriations Act, 2024 and Other Extension Act, P.L. 118-15, further extended the AATF authorizations through December 31, 2023. The Airport and Airway Extension Act of 2023, Part II (P.L. 118-34) and the Airport and Airway Extension Act of 2024, Part I (P.L. 118-41) and Part II (P.L. 118-60) then extended AATF authorizations through May 17, 2024. The FAA Reauthorization Act of 2024, P.L. 118-63, was passed on May 16, 2024 and authorizes the FAA's programmatic and financing authorities, the Airport Improvement Program contract authority, and the authority to collect and deposit excise taxes into and make expenditures from the AATF. This new authority expires on September 30, 2028.

The Infrastructure Investment and Jobs Act (IIJA), also known as the BIL was signed into law by President Biden on November 15, 2021 (P.L. 117-58), providing $383.3 billion in funding through September 30th, 2026, a 5-year period, for highway construction, infrastructure, research and development, safety, and transit programs. In addition to these amounts, Division J of P.L. 117-58 also provides $184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA/BIL also authorized an additional $93.5 billion for future appropriations.

Since IIJA was signed into law, DOT has announced $334 billion in related grants, obligated $235.1 billion, and outlayed $112.3 billion in BIL funding. DOT expects to see continued increases in grants announced, obligations incurred, and outlays made in the coming fiscal year as DOT continues to implement the requirements of the BIL.

Financial Highlights *(CONT.)*

Overview of Financial Position

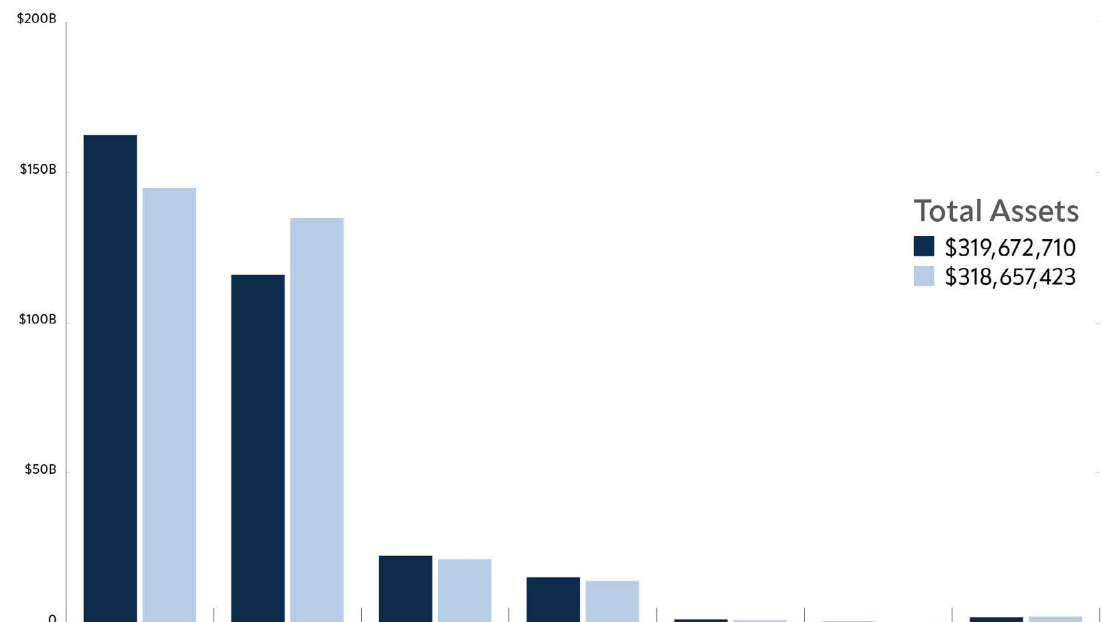
ASSETS

The Department's Consolidated Balance Sheets report total assets of $319.7 billion at the end of FY 2024, compared with $318.7 billion at the end of FY 2023. The Fund Balance with Treasury (FBwT) line item increased by $17.5 billion. This increase was primarily the result of additional funds received through IIJA in FY 2024. Investments decreased by $18.9 billion due to decreases in the Highway and Mass Transit Accounts in the HTF of $13.5 billion and $5.5 billion, respectively, resulting from disbursements for the HTF exceeding the overall excise tax collections and total revenue received from interest, fines, and penalties. This activity resulted in a decrease in funds available to be invested in Treasury securities and a lower balance compared to the previous fiscal year. These decreases were offset by a $95 million increase due to overall excise tax collections exceeding disbursements for the AATF. The increase in AATF excise tax collections was caused by the continuous growth in air transportation. The decrease in Investments was also offset by a $112 million increase to Aviation Insurance caused by increases in interest rates and interest earnings that were reinvested.

Loans Receivable, Net increased by $1.2 billion due to the Transportation Infrastructure Finance and Innovation Act (TIFIA) and the Railroad Rehabilitation Improvement Financing (RRIF) loan programs disbursing more in new loan activity than was collected against open loan agreements in FY 2024. The $1.2 billion increase in FY 2024 is in line with domestic economic policy, which saw an increase in interest rates in Q1 FY 2024. Periods of rising interest rates disincentivize borrowers, slowing the flow of new loans experienced in FY 2023.

The Department's assets reflected in the Consolidated Balance Sheets are summarized in the following graphs.

Assets by Type (Dollars in Thousands)

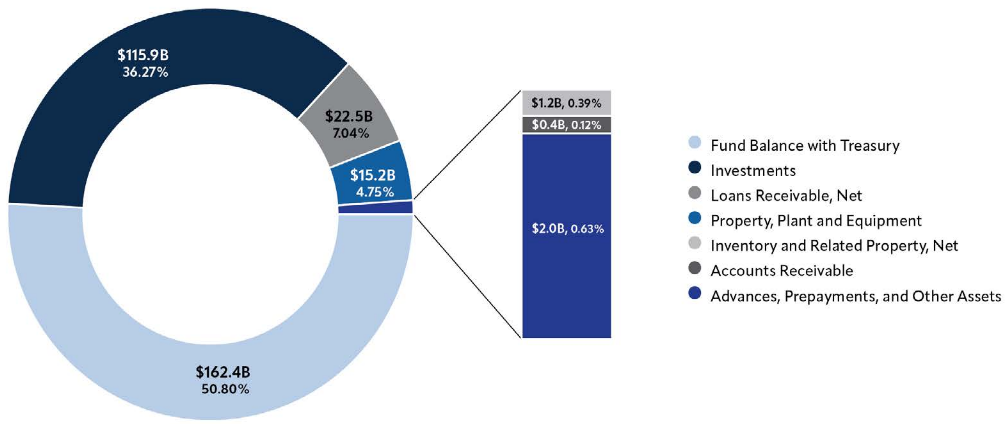


	Fund Balance with Treasury	Investments	Loans Receivable, Net	Property, Plant and Equipment	Inventory and Related Property, Net	Accounts Receivable	Advances, Prepayments, and Other Assets
FY 2024	$162,406,756	$115,946,144	$22,498,368	$15,179,935	$1,244,095	$374,937	$2,022,475
FY 2023	$144,884,983	$134,878,954	$21,336,520	$14,009,229	$1,076,627	$227,299	$2,243,811

Financial Highlights *(CONT.)*

FY 2024 Assets by Type

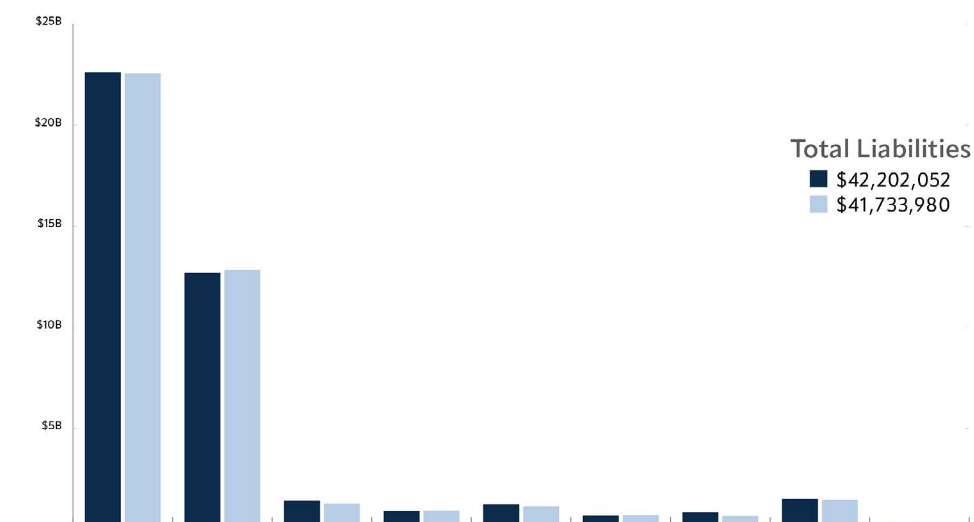
Total Assets: $319,672,710,432



LIABILITIES

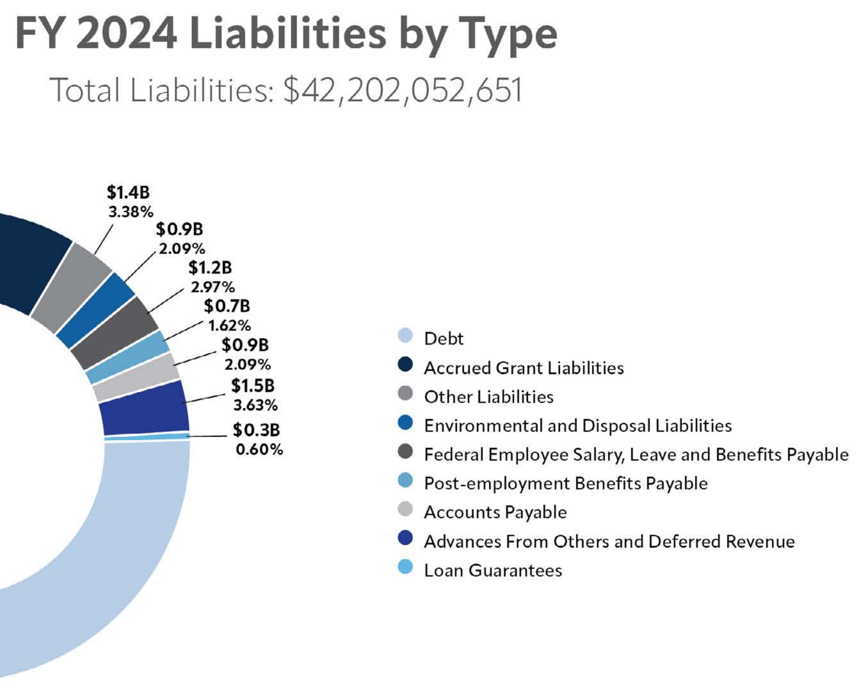
The Department’s Consolidated Balance Sheets report total liabilities of $42.2 billion at the end of FY 2024, as summarized in the graph below. This number represents a $468 million increase from the previous year’s total liabilities of $41.7 billion. Other Liabilities increased by $259.4 million. This increase was due to the following activity related to Intragovernmental Other Liabilities: the results of the implementation of a new accounting standard for Leases in FY 2024 (SFFAS 54) and the recognition of a lease arrangement with the Metropolitan Washington Airports Authority. There were also increases due to civil fines levied on airline companies along with the net increase of upward and downward adjustments related to Credit Reform Act loans. The $130 million decrease in the Accrued Grants Liability line was primarily due to increases in reimbursements to grantees for FAA Coronavirus disease 2019 (COVID-19) related grants. The decrease caused by the increased level of reimbursements was offset by a substantial increase in IIJA grants awarded to the states leading to an increase in the estimated costs incurred by those grant recipients.

Liabilities by Type (Dollars in Thousands)



	Debt	Accrued Grant Liabilities	Other Liabilities	Environmental and Disposal Liabilities	Federal Employee Salary, Leave and Benefits Payable	Post-employment Benefits Payable	Accounts Payable	Advances From Others and Deferred Revenue	Loan Guarantees
FY 2024	$22,590,225	$12,696,862	$1,425,016	$925,145	$1,254,283	$683,469	$843,026	$1,531,732	$252,294
FY 2023	$22,553,726	$12,826,749	$1,180,038	$942,229	$1,155,416	$717,993	$668,664	$1,471,910	$217,255

Financial Highlights *(CONT.)*



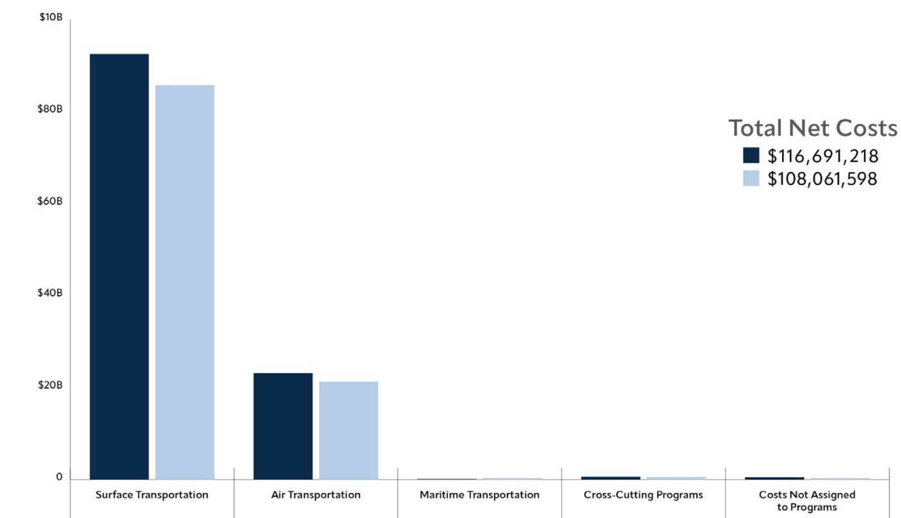
Financial Highlights *(CONT.)*

Results of Operations

NET COSTS

The Department's Net Cost of Operations was $116.7 billion for FY 2024, as summarized in the following graph. This was an 8% increase from the prior year and was primarily caused by a $6.8 billion increase in Surface Transportation program costs. This included an $8.4 billion increase in costs due to increases in IIJA, National Corridor, and Highway Safety Grant Programs in FY 2024. These cost increases were offset by decreases of $1.7 billion due to decreases in COVID funding related Grant costs caused by COVID funding being almost fully expended as well as decreases in TIFIA/RRIF subsidy and interest expenses in FY 2024. Surface and air costs represent 94.5 percent of the Department's total net cost of operations. Surface transportation program costs represent the largest investment for the Department, at 79.2 percent of the net cost of operations. Air transportation is the next largest investment, at 19.8 percent of total net cost of operations.

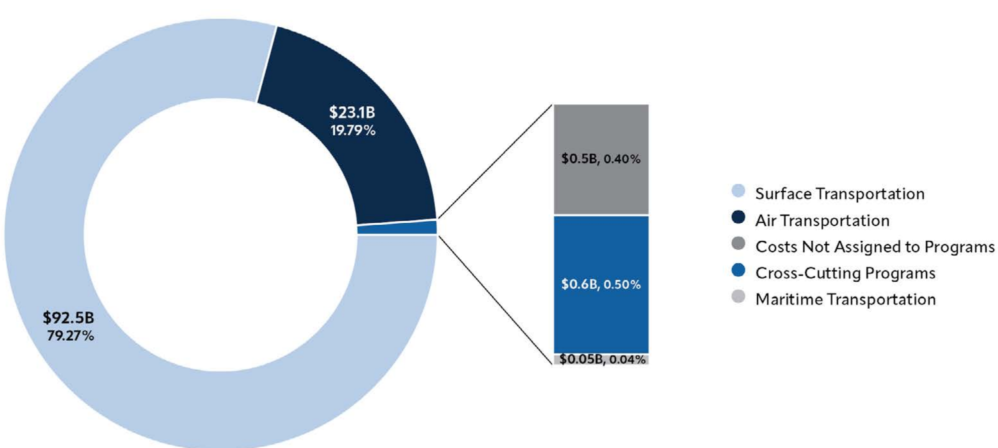
Net Costs of Operations (Dollars in Thousands)



	Surface Transportation	Air Transportation	Maritime Transportation	Cross-Cutting Programs	Costs Not Assigned to Programs
FY 2024	$92,495,577	$23,092,587	$46,797	$588,651	$467,606
FY 2023	$85,735,592	$21,243,937	$269,960	$518,950	$293,159

FY 2024 Net Costs of Operations

Total Net Cost of Operations: $116,691,217,755



Financial Highlights *(CONT.)*

NET POSITION

The Department's Consolidated Balance Sheets and Consolidated Statement of Changes in Net Position report a Net Position of $277.5 billion at the end of FY 2024, a .2 percent increase from the $276.9 billion in the previous FY. The increase of $547 million is immaterial to DOT's overall financial statements but is mainly attributable to an overall decrease in appropriations used compared to the previous year. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

NET POSITIONS (Dollars in Thousands)			
Line Item	2024	2023	% Change
Total Net Position	**277,470,658**	**276,923,443**	**0.2**

Resources

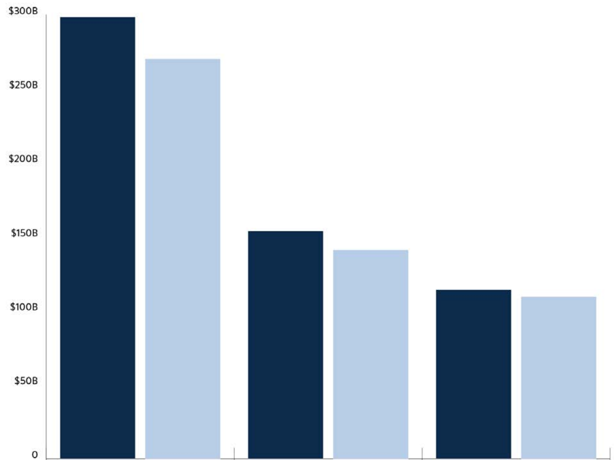
Budgetary Resources

The Combined Statements of Budgetary Resources provide information on how budgetary resources were made available to the Department for the year and their status at fiscal year-end. For FY 2024, the Department had total budgetary resources of $299.2 billion, which represents a $29 billion, or 10.7 percent, increase from FY 2023 levels of $270.2 billion. Budgetary Resources of $299.2 billion consisted of $131 billion in unobligated authority carried over from previous years, which represents an increase from the prior year of $19.6 billion. This increase represents the results of prior year activity carried forward to the current year. Budget Authority of $168.1 billion consisting of $67 billion in appropriations, $85.2 billion in borrowing and contract authority, and $15.9 billion in spending authority from offsetting collections. The change in overall Budget Authority increased $9.5 billion from FY 2023. This increase was primarily due to increases in Borrowing Authority for the TIFIA and RRIF Loan Programs over the prior year, increases to Spending Authority from Offsetting Collections due to FAA operations, and overall increases to DOT Appropriations compared to the prior year The Department's FY 2024 obligations incurred totaled $158.3 billion compared with FY 2023 obligations incurred of $141.1 billion.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2024, the Department had net outlays of $117.4 billion compared with FY 2023 levels of $109.5 billion, a 7.2 percent increase.

Financial Highlights *(CONT.)*

Resources (Dollars in Thousands)



	Total Budgetary Resources	New Obligations and Upward Adjustments	Agency Outlays, Net
FY 2024	$299,186,510	$158,306,119	$117,352,004
FY 2023	$270,164,267	$141,107,617	$109,482,541

Heritage Assets and Stewardship Land Information

Heritage assets are property, plant, and equipment (PPE) that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. Stewardship Land is land and land rights owned by the Federal Government but not acquired for or in connection with items of general PPE. The Department's Heritage assets consist of artifacts, museum and other collections, and buildings and structures. The artifacts and museum and other collections are those of MARAD. Buildings and structures include Union Station (rail station) in Washington, D.C., which is titled to FRA.

The Department holds transportation investments through grant programs, such as the Federal-Aid Program, mass transit capital investment assistance, and airport planning and development programs.

Financial information for Heritage assets and Stewardship Land is presented in the Financial Report section of this report in the Notes to the Principal Statements and Required Supplementary Information.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of DOT in accordance with Federal GAAP and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

FY 2024 FMFIA Assurance Letter to the President

THE SECRETARY OF TRANSPORTATION
WASHINGTON, DC 20590

November 7, 2024

The President
The White House
Washington, DC 20500

Dear Mr. President:

I am pleased to report on the effectiveness of the internal control and financial management systems for the U.S. Department of Transportation (DOT) during Fiscal Year (FY) 2024.

The Federal Managers' Financial Integrity Act (FMFIA) holds federal managers accountable for establishing and maintaining effective internal controls and financial management systems and meeting the objectives of Sections 2 and 4 of the FMFIA. All DOT organizations are subject to Sections 2 and 4 of the FMFIA except the Great Lakes St. Lawrence Seaway Development Corporation, which reports separately under the Government Corporations Control Act of 1945.

DOT conducted its assessments of risk and internal control in accordance with Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of these assessments, DOT can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024.

Based on the results of the FY 2024 FMFIA assessments, I conclude that the Department's system of internal control and financial management is operating effectively, and that we will continue to make program integrity enhancements in the future.

Sincerely,

Pete Buttigieg

Analysis of Entity's Systems, Controls, and Legal Compliance

Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to conduct an annual evaluation of their internal control and financial management systems and report the results to the President and the Congress. Each agency then prepares an annual Statement of Assurance to report on the effectiveness of its internal control and financial management systems' compliance based on the assessment.

For FY 2024, ending September 30, 2024, the Secretary of Transportation provided the President and the Congress a Statement of Assurance stating that DOT can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024.

FMFIA Annual Assurance Process

DOT management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of FMFIA. DOT is required to provide assurances related to FMFIA and the Federal Financial Management Improvement Act (FFMIA) in the annual Statement of Assurance. The Statement of Assurance represents the Secretary of Transportation's informed judgment as to the overall adequacy and effectiveness of internal control within the Agency related to operations, reporting, and system compliance.

The head of each OA submits an annual FMFIA Statement of Assurance representing the overall adequacy and effectiveness of management controls within the organization to DOT's Office of Financial Management (OFM). Any identified FMFIA material weakness, significant deficiency, and/or system noncompliance is reported internally. Corrective action plans are also put into place to address the identified findings. Guidance for completing the OA Statement of Assurance and reporting on deficiencies is issued annually by DOT's OFM.

Objectives of Control Mechanisms

The objectives of internal control put in place within the Department's operations are consistent with the objectives of FMFIA Sections 2 and 4, which include:

- Obligations and costs are in compliance with applicable law;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets;
- Audit findings are promptly resolved; and
- Financial systems conform to principles, standards, and related requirements prescribed by the Comptroller General.

Assessing Internal Controls

OMB Circular A-123 defines management's responsibility for Enterprise Risk Management (ERM) and internal control. The Statement of Assurance is based on assessments performed during FY 2024. DOT reviewed the control deficiencies that resulted from the assessments and audits performed during FY 2024 and open items from previous assessments and audits. DOT considered the identified control deficiencies separately and, in the aggregate, to identify issues that may rise to the level of a significant deficiency, material weakness, or financial system non-compliance. The assessments for FY 2024 included the following, utilizing applicable guidance:

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

Appendix A, Management of Reporting and Data Integrity Risk

- DOT assessed the effectiveness of its internal control over reporting, including safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of OMB Circular A-123, Appendix A. During FY 2024, DOT documented and assessed internal controls over several business processes. Appendix A activities in FY 2024 included conducting an entity, process, and transaction level assessment of the controls over reporting.
- In addition, an assessment was also performed on the Department-wide financial management system, Delphi, including obtaining an annual Statement on Standards for Attestation Engagements 18 (SSAE 18) Service Organization Control (SOC) Type II Report from the Enterprise Services Center (ESC) to determine if financial systems complied with Federal Financial Management system requirements.
- DOT management developed a Data Quality Plan to achieve the objectives of the Digital Accountability and Transparency Act (DATA Act). The Data Quality Plan considers the incremental risks to data quality in Federal spending data and the controls that would manage the risks. Through this process, DOT identified data elements at high-risk of inaccurate reporting. DOT also identified the controls in place to confirm the accuracy of the high-risk data elements related to procurements as part of a targeted assessment related to data quality. DOT developed analytical procedures to assess these data elements in the aggregate as well as to identify high risk transactional activities.

Appendix B, A Risk Management Framework for Government Charge Card Programs

- The Charge Card Act establishes reporting and audit requirement responsibilities for executive branch agencies, and OMB Circular A-123, Appendix B consolidates various government-wide charge card requirements and guidance. DOT reviewed the Travel, Purchase, and Fleet Card programs for compliance with the Charge Card Act and OMB Circular A-123, Appendix B requirements.

Appendix C, Requirements for Payment Integrity Improvement

- DOT, as a steward of taxpayer dollars, exercises rigorous management and oversight over its program expenditures. DOT's Payment Integrity Center is responsible for coordinating improper payment (IP) reviews, reporting results, and monitoring the progress of corrective actions in accordance with Payment Integrity Information Act of 2019 (PIIA; P.L. 116-117) and OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*. In FY 2024, DOT conducted reviews of the programs and activities that it administers in accordance with the requirements of PIIA and OMB Circular A-123, Appendix C (*see Payment Integrity Information Act Reporting* for more information).

Appendix D, Management of Financial Management Systems - Risk and Compliance

- DOT reviewed its financial management systems for compliance with OMB Circular A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, during FY 2024 (see FFMIA for more information).

Disaster Relief Appropriations Act, 2014 (P.L. 113-2), OMB Memorandum: Accountability for Funds Provided by the Disaster Relief Appropriations Act (March 12, 2013)

- During FY 2024, DOT performed a review of spending practices of Hurricane Sandy recovery-related funding for the implementation of appropriate policies and controls to mitigate the risk of fraud and inappropriate spending practices regarding activities and expenses related to Hurricane Sandy.

Management's Statement of Assurance, as it relates to OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, is located in the preceding section of this report.

Did You Know This About FRA?

FRA oversees the safety of the U.S. railroad industry through a highly skilled and dedicated workforce of more than 1,100 employees.

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

Federal Financial Management Improvement Act (FFMIA)

FFMIA requires that each agency implement and maintain financial management systems that comply substantially with the following three FFMIA Section 803(a) requirements: (1) Federal financial management systems requirements, (2) applicable Federal accounting standards promulgated by the FASAB, and (3) the United States Standard General Ledger (USSGL) at the transaction level.

Based on the assessment results of the FFMIA Compliance Determination Framework utilized from OMB Circular A-123, Appendix D, *Management of Financial Systems* – Risk and Compliance and management's assessments of its internal control within Delphi, DOT's financial management system, DOT has determined that it was in compliance with FFMIA for FY 2024.

Federal Information Security Modernization Of 2014 (FISMA)

FISMA requires Federal agencies to identify and provide security protection commensurate with the risk and magnitude of potential harm resulting from the loss, misuse of, unauthorized access to, disclosure of, disruption to, or modification of information collected to be maintained by or on behalf of an agency. FISMA also requires that each agency report annually on the adequacy and effectiveness of information security policies, procedures, and practices and on FISMA compliance. OMB further requires that agency heads submit a signed letter that provides a comprehensive overview of these areas. In addition, FISMA requires that agencies have an independent evaluation performed over their information security programs and practices.

AT DOT, this annual evaluation is performed by the OIG using a contracted audit service provider. For FY 2024, in accordance with revised guidance issued by OMB[4], the annual FISMA report was finalized and submitted on July 31, 2024. OIG separated its FISMA-required assessment and submission to OMB, per OMB's guidance, from a narrative audit report of cybersecurity at DOT. The narrative report was published on September 30, 2024 and is available at www.oig.dot.gov.

In FY 2024, DOT OST, the OAs, and OIG operated a total of 443 information systems, and 14 systems were identified as departmental high-value assets (HVAs).

FAA's air traffic control system has been designated by the President as part of the critical national infrastructure, and the Delphi financial management system has been identified as a Federal Civilian Enterprise Essential (FCEE) system as a shared service provider to other departments and agencies. Other systems owned by DOT include safety-sensitive surface transportation systems and financial systems used to manage and disburse Federal funds each year.

As reviewed in FY 2024, DOT's cybersecurity program is improving but continues to have weaknesses in all functions of the National Institute of Standards and Technology (NIST) Cybersecurity Framework, including Identify, Protect, Detect, Respond, and Recover.

4 OMB M-24-04 Fiscal Year 2024 Guidance on Federal Information Security and Privacy Management Requirements; December 4, 2023; https://www.whitehouse.gov/wp-content/uploads/2023/12/M-24-04-FY24-FISMA-Guidance.pdf

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

Consistent with its authorities under the Federal Information Technology Acquisition Reform Act (FITARA) and FISMA, the DOT Office of the Chief Information Officer (OCIO) continued the Department's information technology (IT) transformation activity in FY 2024, with a focus on continued aggregation and centralization of residual commodity IT to achieve infrastructure, cost, and service efficiencies, and to reduce attack surface, cybersecurity, and privacy risks.

Specific initiatives and accomplishments during FY 2024 included:

- Reached 98% Endpoint Detection and Response deployment across DOT in support of Executive Order (E.O.) 14028;
- Deployed continuous penetration testing capability across the Department covering all of the agency's external facing systems;
- Expanded the Office of the Associate CIO for Cybersecurity and Information Protection from 17 personnel to 41;
- Recruited and appointed the Department's Director of HVA program;
- Recruited and appointed a Departmental Enterprise Software License Manager;
- Continued use of an IT spending integrated project team (IPT) to enhance reviews of OA IT spend plans subject to OCIO FITARA oversight, and continuing to identify potential duplication, misalignment, risks, and explicit gaps within OA cybersecurity programs and plans;
- Prioritized efforts to improve the mandatory use of phishing-resistant multifactor authentication (MFA) for access to DOT networks and systems, resulting in greater than 99% mandatory use within the FAA and greater than 95% mandatory use within the rest of DOT;
- Expanded the Departmental phishing exercises to all DOT personnel, and increasing the frequency of the exercises, resulting in a drop in vulnerability rates from more than 14% to under 5%; and
- Increased automation and enhancement of the agency security training program and dashboards to improve the delivery of cybersecurity awareness and specialized training, and improve the quality of data and reporting.

For FY 2025, subject to the availability of resources, the Department plans to:

- Achieve the next level of maturity – EL3 - for the agency enterprise logging capability by June 30, 2025;
- Develop and communicate an organization-wide Supply Chain Risk Management strategy and implementation plan to guide and govern supply chain risks by January 30, 2025;
- Accelerate agency implementation of Federal Zero Trust Architecture (ZTA) requirements, especially MFA, and encryption; and
- Implement required elements of OMB policy and direction on Secure Software Development Practices by the dates provided by OMB.

Did You Know This About MARAD?

MARAD supervises the operation of a U.S. service academy. The United States Merchant Marine Academy (USMMA) is a Federal service academy that educates and graduates leaders of exemplary character who are committed to serve the national security, marine transportation, and economic needs of the U.S. as licensed Merchant Marine Officers and commissioned officers in the Armed Forces.

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

Financial Management Systems Strategy

DOT continues to deliver sound financial management services to its OAs, ensuring reliability and efficiency while continually enhancing system security and integrating new tools to enhance financial transaction processing, data analytics and reporting. These services are executed through our operational partner, the ESC, which provides shared financial management services and range of other business essential functions. ESC offers business operational support and financial management systems services to DOT as well as other non-DOT entities. DOT, in partnership with ESC, work together to innovate to meet Federal laws, mandates, regulations while striving to achieve efficiencies through shared management of the financial management system.

DOT and ESC continue to focus on key areas of people, processes, and cybersecurity. The objective is to provide improved access to DOT data while maintaining the system's security. Focusing on these key financial management system areas ensures the proper stewardship and transparency of taxpayer dollars. The Department is actively pursuing technology and system enhancements to automate processes, comply with internal controls, enhance data analytics, and improve transparency. These efforts are designed to ensure accurate fund accounting and transparent reporting.

Government Invoicing (G-Invoicing)

DOT is implementing the G-Invoicing solution developed by the Department of Treasury. This solution aims to automate the process of Federal Buy/Sell Intragovernmental Transactions (IGT). G-Invoicing introduces an online portal that serves as a unified platform for facilitating all IGT Buy/Sell transactions. The primary goal of the G-Invoicing initiative is to establish a consistent mechanism for enhancing communication between Federal agencies engaged in such transactions and to standardize accounting practices. To achieve this, DOT's Project Management Office (PMO) has adopted a phased approach. The PMO has successfully executed the initial phases of the project and are actively working on the final phase (Migration Phase) of this endeavor which involves the migration of all ongoing IGT Buy/Sell transactions into the G-Invoicing solution. DOT is actively executing its strategy to incorporate these IGTs into the G-Invoicing Solution along with a closeout strategy for many of these agreements that will not be migrated.

Bipartisan Infrastructure Law (BIL) Support

Since the passage of the BIL, DOT has been dedicated to ensuring that both financial management and grant systems are suitably equipped to facilitate the awarding and disbursement processes for recipients of BIL grants. Throughout FY 2024, DOT's financial management professionals have worked diligently to ensure our financial management and grant systems are able to support the continuing increases in demands on our award and payment processes for BIL grantees. As part of an ongoing effort to enhance system consistency and internal controls, DOT is continuing to engage in assessing both current and future grants system enhancements and implementations. This effort aims to streamline and optimize these systems, to improve efficiency for grant recipients to fulfill the administrative obligations necessary to access BIL funds.

Analysis of Entity's Systems, Controls, and Legal Compliance *(CONT.)*

DATA ANALYTICS

In FY 2024, DOT continued to invest in expanding its use of data analytics to support improved financial management reporting and decision-making. Through collaborative working groups of financial, information technology, and program stakeholders, DOT implemented new data management processes and tools to improve the accessibility of information across the grant lifecycle, with a particular focus on BIL-funded programs. In addition, DOT has undertaken several initiatives to develop and apply new data standards for both grant execution and performance management analytics and reporting. DOT has also continued to refine and expand the use of data analytics to automate and enhance financial validation and reconciliation activities. These initiatives are ongoing and will continue to be developed overtime in support of DOT's financial management and reporting needs.

Did You Know This About PHMSA?

PHMSA trained over 90,000 first responders last year on how to safely respond to accidents involving hazardous materials such as that which occurred in East Palestine, Ohio with their Emergency Preparedness Grants program.

DOT ESC Shared Service Provider

ESC is a shared service provider offering financial management systems and services to Federal agencies. ESC supports other Federal entities, including the Institute of Museum and Library Services (IMLS), the U.S. Commodity Futures Trading Commission (CFTC), the National Credit Union Administration (NCUA), the U.S. Government Accountability Office (GAO) (historical data), the U.S. Securities and Exchange Commission (SEC) and National Council on Disability (NCD). OMB requires shared service providers to provide client agencies with an independent auditors' report in accordance with the American Institute of Certified Public Accountants (AICPA) SSAE-18 examination. Delphi is hosted, operated, and maintained by FAA employees at the Mike Monroney Aeronautical Center (MMAC) in Oklahoma City, OK, under the overall direction of the DOT Deputy Chief Financial Officer.

Climate-Related Risk

The Department owns or operates more than 10,000 staffed and unstaffed assets across 10 climatic regions identified in the newly released fifth National Climate Assessment. Many air traffic control assets, offices, research laboratories, and other mission-critical buildings in widely dispersed locations will experience a range of climate impacts, from extreme storms worsened by sea level rise to longer lasting and more extreme heat waves and extreme cold, to increased numbers and severities of hurricanes, wildfires, tornadoes, and floods, examples include:

- Several mission-critical buildings are exposed to increasingly regular high-tide flooding and salt-water intrusion that can damage building structures, utility systems, and communications;
- National Reserve Defense Fleet stations are experiencing damage from increased storm surges and tides;
- Extreme precipitation is causing flooding that prevents facility access for employees or emergency response personnel, and;
- Extreme heat can stress utility systems, reducing the service life of structural materials, and impact National Air Space system capacity.

To address these impacts, DOT released a Climate Vulnerability Assessment Tool (CVAT) in June 2022 that integrates climate exposure data with asset criticality and system vulnerability to estimate climate risk across the portfolio of DOT facilities and operational assets. These risk assessments will inform the prioritization of the resilience strategies, and other site-specific adaptations to reduce sensitivity to climate hazard exposure. Most OAs have completed an initial round of assessments using the Tool with results compiled in an interactive dashboard for easy reference when making investment decisions.

Based on the results of the Tool, the OAs are already taking several steps to address vulnerabilities associated with climate change. Examples include introducing changes in building design at the time of new construction, locating data centers on higher floors to avoid possible flooding and the use of different, more resilient construction materials. OAs are upgrading structural elements, including sea walls and mooring systems to withstand greater force from surging seas. The USMMA on Long Island is updating the stormwater management system to reduce flooding impacts and run-off during extreme precipitation events. OAs are also installing alternative and back-up power systems, including micro-grids. Onsite renewable energy facilities can increase resilience by reducing reliance on power grids and avoiding power outages while at the same time addressing sustainability and net zero emissions goals.

Forward Looking Information

Enterprise Risk Management

In 2016, the OMB required agencies to implement an ERM capability and to coordinate this process with internal controls, strategic planning and strategic reviews. Agencies are required to maintain an enterprise risk profile that identifies major risks impacting achievement of strategic objectives.

Every fiscal year, OST collaborates with the senior leadership at each OA to identify, assess, prioritize, and mitigate enterprise risks that may positively and negatively impact achievement of DOT's strategic objectives.

During the FY 2024 Risk Profile update cycle, DOT identified nine enterprise-level risks across the DOT's multiple OAs. The FY 2024 risk profile is comprised of seven cross-cutting risks and two OA internal specific risks that were given high risk ratings by their respective OAs. Due to the sensitivity of DOT's risk analysis and response, we will only discuss the highlights of some of the top cross-cutting risks in this document:

- **Cyber (Enterprise):** IF DOT's internal systems suffer a cyberattack from malicious actors, THEN, the Department may experience a broad range of mission-impacting consequences, including compromised sensitive data integrity, diminished public service, unauthorized access, and reputational damage that could erode public trust.
- **Cyber (Sector):** IF the Transportation Systems Sector experiences a cyberattack from malicious actors, THEN the malicious actors may impact the safety, reliability and/or functionality of operational transportation system technologies.
- **Loss of Human Capital:** IF a large percentage of the DOT's retirement eligible workforce in mission-critical occupations decides to retire, THEN the Department may have key organizational positions unfilled, disrupting achievement of its strategic objectives.
- **Fraud:** IF DOT resources or authorities are used for illicit gain, THEN the resulting loss of funds, physical harm, and reputational damage could undermine DOT's capability to responsibly achieve its strategic objectives.
- **Grantee Technical Capacity:** IF DOT's grant recipients do not have the required technical expertise to plan and execute grant-supported project, THEN DOT might be slow to achieve its strategic objectives.
- **Significant Safety Event:** IF a catastrophic event occurs in any mode of transportation, THEN it might result in serious injuries and fatalities.
- **Loss or Disruption of Transportation Infrastructure:** IF loss or damage occurs to major transportation infrastructure, THEN it could lead to significant disruptions in movement of people and goods.

Did You Know This About FTA?

During FY 2023, the Nation's transit agencies reported providing a total of 6.7 billion passenger trips.

Enterprise Risk Management *(CONT.)*

Mitigation Efforts

Cyber (Enterprise): DOT implemented a ZTA which requires all users, devices and applications, whether inside or outside the organization's network, to be authenticated, authorized, and continuously validated for security configuration and posture before being granted access to applications and data. This includes implementing MFA across the enterprise, encrypting data at rest and in transit, enhancing visibility via robust security logging, and building a cyber-focused workforce. DOT has also made substantial investments in continuous penetration testing for all external-facing systems, improving its ability to identify and address known vulnerabilities before they can be exploited by adversaries.

Cyber (Sector): DOT hosts an annual Cybersecurity Symposium that provides educational seminars hosted by subject matter experts from the Federal Government and cybersecurity industry. The Symposium also features vendor exhibits and specialized programs focused on Transportation Sector Cyber. DOT also uses Cybersecurity Awareness month to promote best practices for securing transportation infrastructure by our industry stakeholders. DOT also maintains capabilities to quickly respond in the event of a major cyberattack on critical transportation infrastructure.

Loss of Human Capital: DOT is developing a comprehensive workforce strategic plan that incorporates recruitment and retention strategies targeting both entry-level professionals and experienced hires. DOT used its performance management process to develop a new performance indicator on employee attrition, which is now tracked across each Operating Administration.

Fraud: DOT has implemented mandatory employee training on fraud risk, improper payments, and system security so that all employees stay up-to-date and aware of ways to identify and respond to fraud, misuse, waste, and abuse of transportation funding. Training is also provided to grant recipients to educate contractors on their responsibilities for preventing fraud.

Grantee Technical Capacity: Prior to the passage of BIL, DOT used to award around 200 discretionary grants per year. Now we award on average 200 a month, which has added many new grantees to DOT's program. DOT provides technical assistance via trainings, workshops and on-demand training modules. USDOT launched the DOT Navigator in 2022 to provide a one-stop shop to access the resources available across the Department, and to provide a library to navigate that grant application process. Additionally, Thriving Communities and Rural and Tribal Assistance programs provide grant funding and targeted technical assistance. Others, like the Local Transportation Assistance Programs funded by FHWA or the Rural Transportation Assistance Program funded by FTA serve as clearinghouses and can provide local trainings. The Project Delivery Center of Excellence focuses on post-award support and provides peers exchanges and hosts the Project Delivery Toolbox on public engagement, environment, equity, project management, financing, pre-construction, risk management, and construction. Lastly, guidance documents are provided to improve compliance and reduce the likelihood or impact of risk.

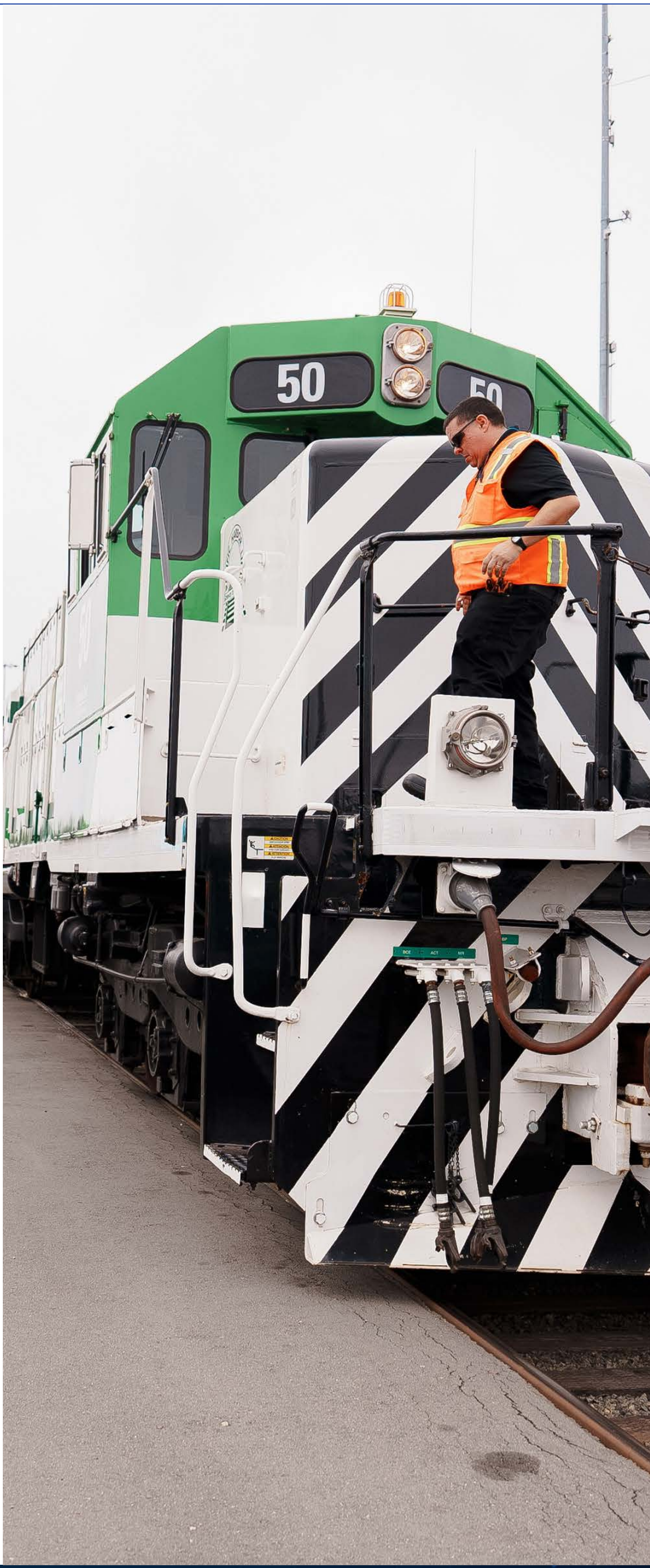
Loss or Disruption of Transportation Infrastructure: DOT has an *All Threats, All Hazards Response and Recovery Deliberate Plan*, that addresses the response and recovery operations for all-threat, all-hazard, notice and no-notice incidents that provides guidance to facilitate the timely execution of the Department's response and recovery operations. The Plan provides for the phased execution of response and recovery operations in support of Federal, state, local, tribal, and territorial (FSLTT) authorities; private sector entities; and non- governmental organizations. DOT also has an Emergency Relief program under BIL which provides funds for emergency repairs and permanent repairs on Federal-aid highways and roads, tribal transportation facilities, and roads on Federal lands that the Secretary finds have suffered serious damage as a result of natural disasters or catastrophic failure from an external cause.

Significant Safety Event: The Department is prepared to respond to such an event by utilizing the *All Threats, All Hazards Response and Recovery Deliberate Plan*. In the event of a significant safety event, the Department's immediate response would focus on an immediate, coordinated, and effective Federal response to save lives, shelter the affected population, and reduce property damage in support of the affected state, local, and tribal governments. Working closely with Federal Emergency Management Agency (FEMA), the Department is prepared to prioritize resources for response and recovery strategies based on preliminary damage assessments.

Inspector General's FY 2025 Top Management Challenges

As required by law, the DOT OIG annually delivers a report on the top management challenges facing the Department. This report is based on OIG audit and investigative work, OIG knowledge of the Department's activities and operations, as well as the Departmental OAs, and independent sources such as GAO reports and other available information. The report highlights risks that DOT will need to focus on to drive progress and change in addressing the challenge areas presented by the OIG.

The top management challenges identified by the OIG for the Department, as well as the Department's response to address those identified challenges, is presented in the Other Information section of this report. A more detailed management response to the OIG identified DOT Top Challenges can be found in DOT's Annual Performance Plan and Report. The 2024 APR is scheduled for publication on January 17, 2025 and will be available on DOT's website at: https://www.transportation.gov/mission/budget/dot-budget-and-performance-documents.



FINANCIAL REPORT

FINANCIAL REPORT

Message from the Assistant Secretary for Budget and Programs and CFO

NOVEMBER 15, 2024

It is a privilege to present the fiscal year (FY) 2024 Department of Transportation (DOT or Department) Financial Statements. Throughout the year, our financial management professionals worked collaboratively to meet DOT's financial goals and successfully accomplish our mission. This exemplary work has once again been recognized in our FY 2024 Auditors' report, which affirms an unmodified "clean" opinion without any material internal control weaknesses for the 18th consecutive year. DOT takes great pride in our stewardship of public funds, as well as providing trustworthy and reliable results and reporting. This year's audit results demonstrate our ongoing commitment to accurate and effective accounting and reporting of resources, which supports DOT's ability to execute its mission properly and efficiently.

In FY 2024, DOT continued to deploy historic levels of new resources to build a safer, better, and stronger transportation system under the Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL). We continued to closely monitor our financial systems to ensure we are effectively managing the significant increases in demands on our award and payment processes and maintaining the integrity of our financial reporting processes to provide transparency to the public.

Infrastructure Investment and Jobs Act (IIJA)/Bipartisan Infrastructure Law (BIL) Implementation. BIL provides the largest investment in rebuilding our road and bridge systems since the Eisenhower Administration. It also represents the largest budgetary commitment to passenger rail since the creation of Amtrak and the greatest financial contribution to public transit in American history. BIL also advances environmental justice by investing in overlooked communities. BIL's historic investment helps DOT confront the many significant transportation challenges facing the Nation; from cancellations and delays in air travel, to the effects of climate change on infrastructure and unexpected accidents causing major transportation interruptions. Since the passage of BIL, DOT's financial management professionals have ardently worked to ensure that our financial and grant systems are able to support the continuing increases in demands on our award and payment processes for BIL grantees. As of FY 2024, we have successfully awarded and obligated $235.1 billion in BIL-related funding and made $112.3 billion in BIL-related disbursements .

Improved Reporting and Transparency. DOT has continued to transform our financial assistance tracking processes, resulting in more transparent and detailed project-level reporting than ever before. Building on a successful new approach for collecting BIL-funded post-award project details implemented last year, the Department has worked collaboratively to establish innovative new internal processes and tools for reporting on the status of discretionary projects in the pre-award phase between initial selection and grant execution. This pre-award tracking now covers projects supporting BIL, the Inflation Reduction Act (IRA), Justice40, and other major programs. Together, DOT's new financial assistance pre-award and post-award datasets and dashboards are providing extensive access and insights into the performance of projects by location, transportation mode, activity types, project phases, and financial status; enhancing DOT's stewardship of taxpayer resources and driving continuous improvements towards efficient and effective implementation of these programs.

Maturing Fraud Risk Management Practices. Effective internal controls help ensure that federal programs fulfill their intended purposes, funds are spent effectively, and assets are safeguarded. DOT has a variety of rigorous internal controls to ensure that federal funds reach the correct recipients; prevent improper payments; and reduce the risks of fraud, waste, and abuse. Throughout FY 2024, the Department undertook foundational measures to establish and mature its fraud risk management program. We reorganized functions within the Office of the Chief Financial Officer to elevate the design, coordination, and oversight of fraud risk management activities across the Department. As the single point of accountability, the Office of the Chief Financial Officer has put forward policy to require Operating Administrations formalize their governance over fraud risk management activities, develop and maintain a fraud risk profile, and conduct regular fraud risk assessments for its programs and business processes. We developed a framework for new and enhanced programs that received funding from BIL to assess fraud risk and collaborated with program officials conducting the reviews. The result of the fraud risk assessment helped DOT institute a structured methodology to identify effective controls in place and pinpoint remediation actions for the most vulnerable controls. While proud of our efforts to mature DOT's capabilities, we acknowledge that fraud risk constantly adapts and the Department will also need to adapt by applying lessons learned and staying abreast of emerging vulnerabilities.

Message from the Assistant Secretary for Budget and Programs and CFO *(CONT.)*

Financial Management Systems Enhancements. We continue to provide sound financial management services while strengthening our security posture to align with evolving cybersecurity regulations and directives governing critical systems. In FY 2024, this included implementing technology to standardize sharing financial data in a secured manner and completing implementation of a financial reporting tool that complies with data security requirements for the protection of sensitive financial information. In support of continued implementation of Government Invoicing (G-Invoicing), we implemented enhancements to support Working Capital Fund (WCF) transactions, which will reduce interdepartmental elimination differences in our financial reporting. We also developed a dashboard to monitor progress towards reducing the volume of pre-existing intragovernmental transactions that will need to be migrated to G-Invoicing during the final phase of implementation.

Ensuring Program Effectiveness. To further the Department's commitment to program effectiveness, we continued to invest in building our enterprise risk management capabilities to strengthen the performance and evaluation functions. This integration enabled us to achieve significant progress in expanding the Department's data-driven performance review and progress monitoring and reporting, as well as building a robust portfolio of meaningful program evaluations to provide evidence that can be used to improve our effectiveness and efficiency.

In FY 2024, we continued to carry out a strong vision for how we can better use existing and requested resources to achieve the ambitious and measurable goals defined in the Department's Strategic Plan and enterprise risk mitigation strategies. Recognizing the importance performance, evidence, and evaluation play in determining resource needs, we held a series of cross-modal budget meetings to ensure alignment between budget, program operations, performance, enterprise risk, evidence, and evaluation commitments. These integration efforts underscore the strengths of our budget and performance framework in supporting program effectiveness and delivering results and improved customer service over the short and long term.

During FY 2024, DOT also made great strides to systematically build evidence for informing policy, regulatory, and operational decisions. Among our advancement was the release of the *FY 2025 Evaluation Plan* that includes commitments to build evidence on a wide range of topics, from seat belt use to sustainable aviation fuel and improving the resilience of our surface transportation systems to natural hazards and climate change. In addition, during FY 2024 we engaged the American people and internal experts in updating and expanding the *DOT Learning Agenda*. Demonstrating the Department's progress in this area, we received public recognition from the Office of Management and Budget and Results for America.

Statement of Federal Financial Accounting Standards (SFFAS) 54. We have successfully implemented FASAB's new lease standard, which took effect on October 1, 2023, and have presented SFFAS 54-compliant financial statements for this fiscal year. Doing so required a substantial effort on the part of the financial management professionals within DOT to recognize and report leases in alignment with the new guidance established by FASAB.

Going forward DOT plans to implement a new lease module in its financial system. This will help to automate the lease accounting process and further ensure the accuracy of lease transactions. Additionally, to maintain DOT's rigorous standards for effective internal controls, we will continue the development of GAAP-compliant processes and controls over lease accounting at DOT. This will allow for the real-time identification of, and accounting for, new lease-related transactions.

DOT is proud to have received its 18th consecutive clean audit opinion, and we acknowledge there is always room for improvement. During the FY 2024 Audit there was one significant deficiency related to weaknesses in General Information Technology Controls identified by our auditors.

DOT plans to address and remediate this identified significant deficiency in our financial management environment by working with our Office of the Chief Information Officer (OCIO), and other impacted Operating Adminstrations to identify and implement the necessary corrective actions required to ensure prompt resolution.

Sincerely,

VBWassmer

Victoria B. Wassmer

Office of Inspector General Quality Control Review

U. S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 15, 2024

Subject: ACTION: Quality Control Review of the Independent Auditors' Report on the Department of Transportation's Audited Consolidated Financial Statements for Fiscal Years 2024 and 2023 | Report No. QC2025010

From: Eric J. Soskin
Inspector General

To: The Secretary

I respectfully submit the results of our quality control review (QCR) of the independent auditors' report on the Department of Transportation's (DOT) audited consolidated financial statements for fiscal years 2024 and 2023.

We contracted with the independent public accounting firm KPMG LLP to audit DOT's consolidated financial statements as of and for the fiscal years ended September 30, 2024, and September 30, 2023, and provide an opinion on those financial statements, report on internal control over financial reporting, and report on compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted Government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's (GAO) and Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*.[1]

We appreciate the cooperation and assistance of DOT's representatives and KPMG. If you have any questions about this report, please contact me or Dormayne "Dory" Dillard-Christian, Assistant Inspector General for Financial Audits.

cc: DOT Audit Liaison, M-1
Federal Aviation Administrator

[1] GAO, *Financial Audit Manual*, Volume 1 (GAO-24-107278), June 2024; Volume 2 (GAO-24-107279), June 2024; Volume 3 (GAO-24-107280), July 2024.

QC2025010 1

Federal Aviation Administration Audit Liaison, AAE-100
Federal Highway Administration Audit Liaison, HCF-823
Federal Transit Administration Audit Liaison, TBP-30

Independent Auditors' Report

In its report on DOT's consolidated financial statements for fiscal years 2024 and 2023, KPMG states that:

- DOT's consolidated financial statements[2] (see attachment 3) were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- KPMG found one significant deficiency[3] in internal control over financial reporting that it did not consider to be a material weakness;[4] and
- there were no instances of reportable noncompliance with provisions of laws tested, or reportable other matters.

KPMG made three recommendations to address the significant deficiency in internal control over financial reporting (see attachment 1).

Significant Deficiency

Weaknesses in General Information Technology Controls

KPMG found access control deficiencies within various systems at the Federal Highway Administration and the Federal Aviation Administration. Specifically:

- Controls were not designed and implemented to ensure the unique identification of privileged users on system databases.
- Controls over access to certain systems, including controls associated with the provisioning and modifying user access and recertifying privileged accounts, were not effectively designed and implemented.
- Controls over access to certain systems, including controls associated with provisioning of new or modified user access, recertification of existing

[2] DOT's full Financial Report is available at https://www.transportation.gov/mission/budget/financial-management.
[3]A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness but important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
[4]A material weakness is a deficiency, or a combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

user access, and removal of terminated user access were not operating effectively.

Recommendations

KPMG made the following recommendations to help strengthen DOT's general information technology controls. KPMG recommended that DOT management:

1. Implement processes to perform administrative functions without the use of shared accounts.
2. Design and implement controls over privileged access to certain systems, including provisioning new or modified access and periodic recertification of accounts.
3. Re-enforce requirements for controls to consistently approve and document new or modified user account, user termination, and recertification requests as required by internal policy and standards for effective internal control systems.

Quality Control Review

We performed a QCR of KPMG's report, dated November 12, 2024, and related documentation, and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted Government auditing standards, was not intended to enable us to express, and we do not express, an opinion on DOT's financial statements or conclusions about the effectiveness of internal control over financial reporting, or compliance with laws and other matters. KPMG is responsible for its report and the conclusions expressed therein.

Our QCR disclosed no instances in which KPMG did not comply, in all material respects, with U.S. generally accepted Government auditing standards.

Agency Comments and OIG Response

KPMG provided DOT with its draft report on November 7, 2024, and received DOT's response, dated November 12, 2024 (see attachment 2). DOT agreed with the deficiencies KPMG found. DOT also concurred with KPMG's three recommendations and committed to developing a corrective action plan to address the deficiencies by December 31, 2024. We agree with KPMG's recommendations and are not making any additional recommendations.

Actions Required

We consider all three of KPMG's recommendations open and unresolved pending receipt of the corrective action plan.

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
United States Department of Transportation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of United States Department of Transportation (Department), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Department as of September 30, 2024 and 2023, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing*

Standards, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Table of Contents, Foreword, Message from the Secretary, Message from the Assistant Secretary for Budget and Programs and CFO, and Other Information but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2024, we considered the Department’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Department’s internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers’ Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in Exhibit I as item 2024-01, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department’s consolidated financial statements as of and for the year ended September 30, 2024 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

We also performed tests of the Department’s compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department’s financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

Department’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the findings identified in our audit and described and presented in the section, Management's Response to the Independent Auditor's Report. The Department’s response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 12, 2024

2024 - 01: Weaknesses in General Information Technology Controls

Background

The Department utilizes various information technology systems to carry out its mission and to compile amounts recorded in its consolidated financial statements. Systems may vary within each operating administration based on the individual mission and needs of the operating administration.

The Federal Highway Administration (FHWA) utilizes various systems, including but not limited to, a user profile and access control system to manage user access to various applications within the FHWA environment and a system to award and manage grant funding.

The Federal Aviation Administration (FAA) utilizes a procurement system to record and track requisitions, purchase orders, and contracts and to compile amounts recorded in its consolidated financial statements.

Criteria

The U.S. Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government* (Green Book), sets the standards for an effective internal control system and provides an overall framework for designing, implementing, and operating effective internal control systems. The standards require entities to design appropriate types of control activities to include limiting access to resources and records to authorized individuals, and periodically comparing resources with the recorded accountability to help reduce the risk of errors, fraud, misuse, or unauthorized alteration.

Further, management should communicate quality information down and across reporting lines to enable personnel to perform key roles in achieving objectives, addressing risks, and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles.

Condition

Access control deficiencies exist within the systems mentioned above as follows:

- Controls were not designed and implemented to ensure the unique identification of privileged users on system databases.
- Controls over access to certain systems, including controls associated with the provisioning and modifying user access and recertifying privileged accounts, were not effectively designed and implemented.
- Controls over access to certain systems, including controls associated with provisioning of new or modified user access, recertification of existing user access, and removal of terminated user access were not operating effectively.

Cause

Management has not designed and consistently implemented procedures to ensure compliance with standards for effective internal control systems and/or internal policy.

Effect

User accounts with inappropriate access may allow for unauthorized use, disclosure, or modification of system data, which could result in misstatements in the consolidated financial statements not being prevented, detected, or corrected.

Recommendations

We recommend that management:

- Implement processes to perform administrative functions without the use of shared accounts.
- Design and implement controls over privileged access to certain systems, including provisioning new or modified access and periodic recertification of accounts.
- Re-enforce requirements for controls to consistently approve and document new or modified user account, user termination, and recertification requests as required by internal policy and standards for effective internal control systems.

Management's Response to the Independent Auditors' Report

U.S. Department of Transportation

Office of the Secretary of Transportation

Assistant Secretary
for Budget and Programs
and Chief Financial Officer

1200 New Jersey Avenue, S.E.
Washington, DC 20590

Subject: Management Response to the Audit Report on the Consolidated Financial Statements for Fiscal Year (FY) 2024

From: Victoria B. Wassmer VICTORIA BAECHER WASSMER Digitally signed by VICTORIA BAECHER WASSMER Date: 2024.11.12 09:35:34 -05'00'
Assistant Secretary for Budget and Programs and Chief Financial Officer

To: Eric J. Soskin
Inspector General

James Gould
Partner, KPMG LLP

CC: Joseph Jarrin, Principal Deputy Assistant Secretary for Finance and Budget
Jennifer Funk, Deputy Chief Financial Officer
Saesha Carlile, Deputy Assistant Secretary for Budget and Programs

I am pleased to respond to the report on the Department of Transportation's (DOT) Consolidated Financial Statements. Our financial management professionals worked tirelessly this fiscal year to ensure the agency was successful in achieving its mission and financial management objectives. We continue to take pride in our ability to sustain strong and vigilant financial management, as demonstrated in our achievement of an unmodified audit opinion.

We view the audit as an opportunity for continuous improvement as we promote the prudent, effective, and efficient use of funds across the Department. This can be seen in DOT's remediation of previously reported significant deficiencies while having one reported this fiscal year. We concur with the significant deficiency contained in the report related to weaknesses in General Information Technology Controls, due to access control deficiencies within various DOT systems. We also concur with your corresponding recommendations. Corrective actions are already underway, and we will submit a detailed plan along with estimated completion dates of the actions to the Inspector General no later than December 31, 2024.

I appreciate the professionalism and cooperation exhibited by your office during the audit. Our combined efforts and teamwork made the difference in successfully meeting the objectives of the financial audit process.

Please refer questions to the Deputy Chief Financial Officer, Ms. Jennifer Funk (202-366-5628).

Principal Financial Statements

INTRODUCTION

The principal financial statements have been prepared to report the financial position and results of the Department of Transportation's (DOT's or Department's) operations, pursuant to the requirements of the Chief Financial Officers Act of 1990 (CFO Act), as expanded by the Government Management Reform Act of 1994 (GMRA). While the statements have been prepared from DOT's books and records in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government.

The following financial statements are presented:

The **Consolidated Balance Sheets (BS)**, as of September 30, 2024 and 2023, present those resources owned or managed by DOT that are available to provide future economic benefits (assets); amounts owed by DOT that will require payments from those resources or future resources (liabilities); and residual amounts retained by DOT comprising the difference (net position).

The **Consolidated Statements of Net Cost (SNC)**, present the net cost of DOT operations for the fiscal years ended September 30, 2024 and 2023. DOT's net cost of operations includes the gross costs incurred by DOT less any exchange revenue earned from DOT activities.

The **Consolidated Statements of Changes in Net Position (SCNP)** present the change in DOT's net position resulting from the net cost of DOT operations, budgetary financing sources other than exchange revenues, and other financing sources for the fiscal years ended September 30, 2024 and 2023.

The **Combined Statements of Budgetary Resources (SBR)** present the budgetary resources available to DOT during fiscal years ended September 30, 2024 and 2023; and the status of these resources and the net outlay of budgetary resources for the fiscal years ended September 30, 2024 and 2023. The Notes to the Financial Statements provide important disclosures and details related to information reported on the statements.

The **Notes to the Financial Statements** provide information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

U. S . DEPARTMENT OF TRANSPORTATION CONSOLIDATED BALANCE SHEETS

As of September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
ASSETS		
Intragovernmental		
Fund Balance with Treasury (Note 2)	$ 162,406,756	$ 144,884,983
Investments, Net (Note 3)	115,946,144	134,878,954
Accounts Receivable, Net (Note 4)	105,739	89,139
Advances and Prepayments (Note 5)	19,058	13,347
Other Assets (Note 10)	149,702	-
Total Intragovernmental	**278,627,399**	**279,866,423**
Other than Intragovernmental		
Accounts Receivable, Net (Note 4)	269,198	138,160
Loans Receivable, Net (Note 6)	22,498,368	21,336,520
Inventory and Related Property, Net (Note 7)	1,244,095	1,076,627
Property, Plant and Equipment, Net (Note 8)	15,179,935	14,009,229
Advances and Prepayments (Note 5)	1,704,315	2,230,464
Other Assets (Note 10)	149,400	-
Total Other than Intragovernmental	**41,045,311**	**38,791,000**
Total Assets	**$ 319,672,710**	**$ 318,657,423**
Stewardship Property, Plant and Equipment (Note 9)		
LIABILITIES (NOTE 11)		
Intragovernmental		
Accounts Payable	$ 36,349	$ 3,979
Debt (Note 12)	22,590,225	22,553,726
Advances From Others and Deferred Revenue	1,242,808	1,208,499
Other Liabilities (Note 16)	941,788	682,435
Total Intragovernmental	**24,811,170**	**24,448,639**
Other than Intragovernmental		
Accounts Payable	806,677	664,685
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	1,254,283	1,155,416
Post-employment Benefits Payable (Note 13)	683,469	717,993
Environmental and Disposal Liabilities (Note 14 and Note 18)	925,145	942,229
Loan Guarantee Liability (Note 6)	252,294	217,255
Advances From Others and Deferred Revenue	288,924	263,411
Other Liabilities		
Accrued Grant Liabilities (Note 15)	12,696,862	12,826,749
Other (Note 16)	483,228	497,603
Total Other than Intragovernmental	**17,390,882**	**17,285,341**
Total Liabilities	**$ 42,202,052**	**$ 41,733,980**
Commitments and Contingencies (Note 18)		
NET POSITION		
Unexpended Appropriations—Funds From Dedicated Collections (Consolidated) (Note 19)	$ 920,067	$ 1,165,492
Unexpended Appropriations—Funds from Other than Dedicated Collections (Consolidated)	151,633,065	130,716,114
Total Unexpended Appropriations (Consolidated)	152,553,132	131,881,606
Cumulative Results of Operations - Funds From Dedicated Collections (Consolidated) (Note 19)	112,633,261	134,434,955
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated)	12,284,265	10,606,882
Total Cumulative Results of Operations (Consolidated)	124,917,526	145,041,837
Total Net Position	277,470,658	**276,923,443**
Total Liabilities and Net Position	**$ 319,672,710**	**$ 318,657,423**

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION
CONSOLIDATED STATEMENTS OF NET COST

For the years ended September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
Program Costs		
SURFACE TRANSPORTATION		
Gross Costs	$ 93,699,915	$ 86,886,313
Less: Earned Revenue	1,204,338	1,150,721
Net Program Costs	**92,495,577**	**85,735,592**
AIR TRANSPORTATION		
Gross Costs	23,849,896	21,941,910
Less: Earned Revenue	757,309	697,973
Net Program Costs	**23,092,587**	**21,243,937**
MARITIME TRANSPORTATION		
Gross Costs	1,108,973	1,236,919
Less: Earned Revenue	1,062,176	966,959
Net Program Costs	**46,797**	**269,960**
CROSS-CUTTING PROGRAMS		
Gross Costs	748,070	666,167
Less: Earned Revenue	159,419	147,217
Net Program Costs	**588,651**	**518,950**
Costs Not Assigned to Programs	471,214	299,468
Less: Earned Revenues Not Attributed to Programs	3,608	6,309
Net Cost of Operations	**$ 116,691,218**	**$ 108,061,598**

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the years ended September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024			2023		
	Funds from Dedicated Collections (Consolidated)	Funds from Other than Dedicated Collections (Consolidated)	Total	Funds from Dedicated Collections (Consolidated)	Funds from Other than Dedicated Collections (Consolidated)	Total
UNEXPENDED APPROPRIATIONS						
Beginning Balance	$ 1,165,492	$ 130,716,114	$ 131,881,606	$ 1,258,322	$ 109,619,829	$ 110,878,151
Appropriations Received (Note 1W)	636,477	49,395,813	50,032,290	1,921,179	51,830,197	53,751,376
Appropriations Transferred-in/(out)	1,830	(18,411)	(16,581)	1,080	(21,495)	(20,415)
Other Adjustments	(29,247)	(756,969)	(786,216)	(25,023)	(2,775,768)	(2,800,791)
Appropriations Used	(854,485)	(27,703,482)	(28,557,967)	(1,990,066)	(27,936,649)	(29,926,715)
Net Change in Unexpended Appropriations	(245,425)	20,916,951	20,671,526	(92,830)	21,096,285	21,003,455
Total Unexpended Appropriations	**920,067**	**151,633,065**	**152,553,132**	**1,165,492**	**130,716,114**	**131,881,606**
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balance	$ 134,434,955	$ 10,606,882	$ 145,041,837	$ 142,127,489	$ 9,897,288	$ 152,024,777
Changes in Accounting Principles (Note 1D)	(36,198)	28,020	(8,178)	-	-	-
Beginning Balance, as Adjusted	134,398,757	10,634,902	145,033,659	142,127,489	9,897,288	152,024,777
Other Adjustments	-	(185)	(185)	-	(63)	(63)
Appropriations Used	854,485	27,703,482	28,557,967	1,990,066	27,936,649	29,926,715
Non-exchange Revenue (Note 20)	67,418,267	1,716	67,419,983	70,588,818	2,472	70,591,290
Donations/Forfeitures of Cash/Cash Equivalents	957	-	957	901	-	901
Transfers-in/(out) Without Reimbursement	(978,825)	714,841	(263,984)	(1,365,865)	1,400,569	34,704
Donations and Forfeitures of Property	-	65,536	65,536	-	13,012	13,012
Imputed Financing	995,355	103,542	1,098,897	792,961	73,194	866,155
Other	(248,083)	(56,003)	(304,086)	(174,461)	(179,595)	(354,056)
Net Cost of Operations	89,807,652	26,883,566	116,691,218	79,524,954	28,536,644	108,061,598
Net Change in Cumulative Results of Operations	(21,765,496)	1,649,363	(20,116,133)	(7,692,534)	709,594	(6,982,940)
Total Cumulative Results of Operations	**112,633,261**	**12,284,265**	**124,917,526**	**134,434,955**	**10,606,882**	**145,041,837**
Net Position	**$ 113,553,328**	**$ 163,917,330**	**$ 277,470,658**	**$ 135,600,447**	**$ 141,322,996**	**$ 276,923,443**

The accompanying notes are an integral part of these financial statements

U.S. DEPARTMENT OF TRANSPORTATION
COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the years ended September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024		2023	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES (NOTE 21)				
Unobligated Balance From Prior Year Budget Authority, Net	$ 130,828,928	$ 209,670	$ 110,983,951	$ 492,457
Appropriations (Note 1W)	66,988,010	-	65,206,595	-
Borrowing Authority	-	5,242,267	-	1,749,970
Contract Authority	80,038,461	-	78,311,258	-
Spending Authority From Offsetting Collections	15,234,523	644,651	13,183,651	236,385
Total Budgetary Resources	**$ 293,089,922**	**$ 6,096,588**	**$ 267,685,455**	**$ 2,478,812**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments	$ 152,359,601	$ 5,946,518	$ 138,926,573	$ 2,181,044
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	113,229,870	13,273	103,654,355	10,603
Unapportioned, Unexpired Accounts	26,985,269	136,797	24,646,893	287,165
Unexpired Unobligated Balance, End of Year	140,215,139	150,070	128,301,248	297,768
Expired Unobligated Balance, End of Year	515,182	-	457,634	-
Unobligated Balance, End of Year	**140,730,321**	**150,070**	**128,758,882**	**297,768**
Total Budgetary Resources	**$ 293,089,922**	**$ 6,096,588**	**$ 267,685,455**	**$ 2,478,812**
OUTLAYS, NET, AND DISBURSEMENTS, NET				
Outlays, Net	$ 119,680,337		$ 110,914,296	
Distributed Offsetting Receipts	(2,328,333)		(1,431,755)	
Agency Outlays, Net	**$ 117,352,004**		**$ 109,482,541**	
Disbursements, Net		**$ 184,197**		**$ 6,330,835**

The accompanying notes are an integral part of these financial statements

Notes to the Principal Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Department reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

The Department serves as the strategic focal point in the Federal Government's national transportation plan. It partners with cities and states to meet local and national transportation needs by providing financial and technical assistance; ensuring the safety of all transportation modes; protecting the interests of the American traveling public; promoting international transportation treaties; and conducting planning and research for the future.

The Department is comprised of the Office of the Secretary and the DOT Operating Administrations (OAs), each having its own management team and organizational structure. Collectively, they provide services and oversight to ensure the best possible transportation system serves the American public. The Department's consolidated financial statements present the financial data for various trust funds, revolving funds, appropriations and special funds of the following organizations (referred to as OAs):

- **Office of the Secretary (OST) [includes OST Working Capital Fund, Volpe National Transportation Center, and Office of the Assistant Secretary for Research and Technology]**
- **Federal Aviation Administration (FAA)**
- **Federal Highway Administration (FHWA)**
- **Federal Motor Carrier Safety Administration (FMCSA)**
- **Federal Railroad Administration (FRA)**
- **Federal Transit Administration (FTA)**
- **Maritime Administration (MARAD)**
- **National Highway Traffic Safety Administration (NHTSA)**
- **Office of Inspector General (OIG)**
- **Pipeline and Hazardous Materials Safety Administration (PHMSA)**

The Great Lakes Saint Lawrence Seaway Development Corporation (GLS) is a wholly owned Government corporation and an OA of the Department. However, GLS's financial data is not consolidated into the DOT consolidated financial statements as the dollar value of its activities is not material to that of the Department taken as a whole. The GLS is subject to separate reporting requirements under the Government Corporation Control Act and undergoes its own annual financial statement audit. GLS's financial statements are available via their website.

B. Basis of Presentation

The consolidated financial statements have been prepared to report the Department's financial position and results of operations, as required by the CFO Act and Title IV of the GMRA. The statements have been prepared from the DOT books and records in accordance with OMB form and content requirements for entity financial statements and DOT's accounting policies and procedures. Material intradepartmental transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Combined Statement of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular A-136, *Financial Reporting Requirements*, as revised, and as such, intra-entity transactions have not been eliminated. Unless otherwise noted, all dollar amounts are presented in thousands.

The Consolidated Balance Sheets and certain accompanying notes to the consolidated financial statements present agency assets, liabilities, and net position (which equals total assets minus total liabilities) as of the reporting dates. Agency assets substantially consist of entity assets (those which are available for use by the agency). Nonentity assets (those which are managed by the agency, but not available for use in its operations) are primarily for DOT's downward reestimates in its loan programs. The downward reestimates are not available to DOT and they are returned to the Treasury in the fiscal year following the accrual of the reestimates. Agency liabilities include both those covered by budgetary resources, those not covered by budgetary resources, and those not requiring budgetary resources.

The Consolidated Statements of Net Cost present the gross costs of programs, less earned revenue, to arrive at the net cost of operations, for both the programs and the Department, as a whole for the reporting periods.

The Consolidated Statements of Changes in Net Position report beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending net position balances.

The Combined Statements of Budgetary Resources provide information about how budgetary resources were made available, as well as the status of budgetary resources at the end of the reporting periods. Recognition and measurement of budgetary information reported on these statements is based on budget terminology, definitions, and guidance presented in OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated July 2024.

A Statement of Custodial Activity is not presented as DOT custodial activity is incidental to departmental operations and is not considered material to the consolidated financial statements taken as a whole. DOT custodial activity is presented in Note 22.

On the Consolidated Balance Sheets and in certain accompanying notes to the consolidated financial statements, transaction balances are classified as either being intragovernmental or other than intragovernmental. Intragovernmental transactions and balances result from exchange transactions made between DOT

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

and other Federal Government entities while those classified as "other than intragovernmental" result from exchange transactions between DOT and non-Federal entities. For example, if DOT purchases goods or services from the public and sells them to another Federal entity, the costs would be classified as "other than intragovernmental," but the related revenues would be classified as "intragovernmental." This could occur, for example, when DOT provides goods or services to another Federal Government entity on a reimbursable basis. The purpose of this classification is to enable the Federal Government to prepare consolidated financial statements, and not to match other than intragovernmental and intragovernmental revenue with costs that are incurred to produce other than intragovernmental and intragovernmental revenue.

DOT accounts for dedicated collections separately from other funds. Funds from dedicated collections are financed by specifically identified revenues, provided to the Government by non-Federal sources, often supplemented by other financing sources which remain available over time. Funds from dedicated collections are required, by statute, to be used for designated activities, benefits, or purposes. See Note 19 for additional discussion on funds from dedicated collections.

C. Budgets and Budgetary Accounting

DOT follows standard Federal budgetary accounting policies and practices in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, dated July 2024. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Each year, the U.S. Congress (Congress) provides budget authority, primarily in the form of appropriations, to the DOT OAs to incur obligations in support of agency programs. For Fiscal Year (FY) 2024 and FY 2023, the Department was accountable for trust fund appropriations, general fund appropriations, revolving fund activity, borrowing authority, and contract authority. DOT recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through warrants and trust fund transfers.

Programs are financed from authorizations enacted in authorizing legislation and codified in Title 23 and 49 of the United States Code (U.S.C.). The DOT receives its budget authority in the form of direct appropriations, borrowing authority, contract authority, and spending authority from offsetting collections. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections or receipts. Subsequently, Congress provides an appropriation for the liquidation of the contract authority to allow payments to be made for the obligations incurred. Funds apportioned by statute under Titles 23 and 49 of the U.S.C., Subtitle III by the Secretary of Transportation for activities in advance of the liquidation of appropriations are available for a specific time period.

D. Basis of Accounting

The Department's consolidated financial statements are prepared in accordance with all applicable accounting principles and standards developed and issued by Federal Accounting Standards Advisory Board (FASAB), which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish GAAP for the Federal Government. The Federal Financial Management Improvement Act (FFMIA) of 1996 requires the Department to comply substantially with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger requirements at the transaction level.

Transactions are recorded on an accrual and a budgetary accounting basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. Under the budgetary basis, however, funds availability is recorded based upon legal considerations and constraints.

FASAB issued Statement of Federal Financial Accounting Standard (SFFAS) Number 54, *Leases* in April 2018, which was effective October 1, 2023. SFFAS 54, *Leases* requires Federal entities to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. Prior to FY 2024, leases were recognized as capital or operating leases in accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, paragraphs 43-46 and SFFAS 6, *Accounting for Property, Plant and Equipment*, paragraphs 20 and 29.

Similarly, the new accounting standards require federal reporting entities to report a lease receivable (lease asset) and unearned revenue (lease liability) for non-intragovernmental, non-short-term contracts or agreements wherein the entity conveys the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset to another party for a period of time in exchange for consideration under the terms of the contract or agreement. Prior to FY 2024, lessor revenues collected from the Metropolitan Washington Airport Authority lease arrangement were reported as incidental custodial collections.

The changes are reported by recording and presenting an adjustment to the beginning balance of cumulative results of operations in the Statement of Changes in Net Position for the period that the changes are made and presenting prior period financial statements and notes presented for comparative purposes as previously reported. These changes effect the balances for property, plant, and equipment; other liabilities; and cumulative results of operations. Further information regarding the Department's leases can be found in Notes 8, 10, 16, and 17.

E. Fund Balance With Treasury

Fund balance with Treasury is an asset of the Department and a liability of the General Fund of the U.S. Government. Similarly, investments in U.S. Government securities that are held by dedicated collections accounts are assets of the DOT and liabilities of the General Fund of the U.S. Government. In both cases, the amounts represent commitments by the government to provide resources for particular programs, but they do not represent net assets to the government as a whole.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

When the DOT seeks to use fund balance with Treasury or investments in U.S. Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DOT does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the U.S. Treasury. The funds with the U.S. Treasury are appropriated, revolving, and trust funds that are available to pay liabilities and finance authorized purchases. Lockboxes have been established with financial institutions to collect certain payments, and these funds are transferred directly to the U.S. Treasury on a daily (business day) basis. DOT does not maintain any balances of foreign currencies.

F. Investments in U.S. Government Securities

Investments, consisting of U.S. Government Securities, are reported at cost, adjusted for amortized cost, net of premiums or discounts, and are held to maturity. Premiums or discounts are amortized into interest income over the term of the investment using the interest method. The Department has the intent and the ability to hold investments to maturity. Investments, redemptions, and reinvestments are controlled and processed by the U.S. Treasury. DOT has nonmarketable par value and market-based Treasury securities. DOT also has marketable securities issued by the Treasury at market price.

G. Receivables

Accounts Receivable

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. Federal accounts receivable are generally the result of the provision of goods and services to other Federal agencies. Public accounts receivable are generally the result of the provision of goods and services or the levy of fines and penalties from the Department's regulatory activities. Accounts receivable including Federal and public are presented net of an allowance for loss on uncollectible amounts, which is based on historical collection experience or an analysis of the individual receivables.

Loans Receivable

Loans are accounted for as receivables after funds have been disbursed. Loans receivable is reduced by an allowance equal to the present value of the subsidy costs (resulting from the interest rate differential between the loans and U.S. Treasury borrowing, the estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows) associated with these loans.

H. Inventory and Related Operating Materials and Supplies

Within the FAA's Franchise Fund, inventory is held for sale to the FAA field locations and other domestic entities and foreign governments. Inventory consists of materials and supplies that the FAA uses to support our nation's airspace system and is predominantly located at the FAA Mike Monroney Aeronautical Center (MMAC) in Oklahoma City. Inventory costs include material, labor, and applicable manufacturing overhead.

Inventory held for sale includes both purchased inventory and refurbished inventory. Inventory held for sale is valued using historical cost, applying the moving average cost flow method. The moving average cost flow method is an inventory costing method used in conjunction with a perpetual inventory system. A weighted average cost per unit is recomputed after every purchase. Goods sold are costed at the most recent moving average cost.

FAA field locations frequently exchange non-operational repairable units with the Franchise Fund. These components are classified as "held for repair" and valued using the direct method.

Inventory may be deemed to be "excess, obsolete, and unserviceable" if, for example, the quantity exceeds projected demand for the foreseeable future or if the item has been technologically surpassed. The "excess, obsolete, and unserviceable" inventory is determined to have no residual net realizable value, therefore, a loss is recognized to write off the inventory in the current period.

Operating materials and supplies primarily consist of unissued supplies that will be consumed in future operations. They are valued based on the latest acquisition cost. Operating materials and supplies are expensed using the consumption method of accounting. Operating materials and supplies may be classified as excess, obsolete, and unserviceable and an allowance is established based on the condition of various asset categories and historical experience with disposing of such assets.

I. Property, Plant, and Equipment

DOT OAs have varying methods of determining the value of general purpose property and equipment and how it is depreciated. DOT currently has a capitalization threshold of $200 thousand for structures and facilities and for internal use software, and $100 thousand for other property, plant and equipment. Capitalization thresholds are established at the departmental level, however, capitalization at lesser amounts is permitted at the OA level. This could result in amounts being capitalized that would have been expensed using the departmental level threshold. Construction in progress is valued at direct (actual) costs plus applied overhead and other indirect cost. The straight line method is used to depreciate capitalized assets.

DOT's heritage assets, consisting of Union Station in Washington, D.C., the Nuclear Ship *Savannah*, and collections of maritime artifacts, are considered priceless and are not capitalized in the Consolidated Balance Sheet (See Note 9).

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

J. Lease

A lease is defined as a contract or agreement whereby one entity (lessor) conveys the right to control the use of property, plant, or equipment (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration. DOT is both a lessee and a lessor.

DOT has intragovernmental leases, short-term non-intragovernmental leases, contracts or agreements that transfer ownership, and right-to use leases. DOT intragovernmental leases are primarily with the General Services Administration (GSA) of which DOT occupies certain real property that is leased from GSA. DOT short-term non-intragovernmental leases are 24 months or less based on contractual agreements with non-GSA lessors. Intragovernmental and short-term non-intragovernmental leases are expensed. A contract or agreement that transfers ownership of the underlying asset to the DOT by the end of the contract or agreement and does not contain options to terminate is reported as a purchase of that asset by the DOT. The right-to use leases are for non-intragovernmental, non-short-term contracts or agreements, when DOT has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. DOT, as a lessee, recognizes a right-to-use lease asset and lease liability at the commencement of the lease term when the total undiscounted payment exceeds $250 thousand, however, recognition at lesser amounts is permitted at the OA level. The right-to-use lease asset is amortized over the lease term using the straight line method and is separately disclosed from other property, plant, and equipment. The lease liability is measured at the present value of payments expected to be made during the lease term using the market interest rate (See Notes 8 and 17).

DOT, as a lessor, recognizes a right-to-use lease receivable and unearned revenue at the commencement of the lease term unless it is a non-intragovernmental short-term lease (i.e., a lease term of 24 months or less), contract or agreement that transfers ownership, or intragovernmental lease. The lease receivable and unearned revenue are initially measured at the present value of lease payments to be received for the lease term, reduced by any provision for uncollectible amounts. The unearned revenue is then amortized over the lease term and recognized as earned revenue.

SFFAS 62, *Transitional Amendment* to SFFAS 54, amends the implementation section of SFFAS Number 54, *Leases*, by providing transitional accommodations to reporting entities for embedded leases. Embedded leases are contracts or agreements that contain both lease components and non-lease components, such as service components, and serve a primary purpose attributable to the non-lease components. The DOT has elected to account for such contracts or agreements, including the lease components, as non-lease contracts or agreements in their entirety during the transitional period.

K. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses or capitalized, as appropriate, when the related goods and services are received. Advances to others and prepayments primarily relate to the FRA advances provided to Amtrak.

L. Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities, which are covered by available budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, and permanent indefinite appropriations or borrowing authority. Unfunded liabilities are not considered to be covered by such budgetary resources. An example of an unfunded liability is actuarial liabilities for future Federal Employees' Compensation Act payments. The Government, acting in its sovereign capacity, can abrogate liabilities arising from transactions other than contracts. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources (i.e., custodial collections).

M. Grant Accrual

The Department records an obligation at the time a grant is awarded. As grant recipients conduct eligible activities under the terms of their grant agreement, they request payment by the DOT, typically made via an electronic payment process. Expenses are recorded at the time of payment approval during the year. The DOT also recognizes an accrued liability and expense for estimated eligible grant payments not yet requested by grant recipients. Grant expenses, including associated administrative costs, are included within the respective programs within the Consolidated Statements of Net Cost.

N. Contingencies

The criteria for recognizing contingencies for claims are (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimable). Contingent liabilities that are considered remote are not disclosed. DOT recognizes material contingent liabilities in the form of claims, legal actions, administrative proceedings, and environmental suits that have been brought to the attention of legal counsel, some of which will be paid from the Judgment Fund administered by the U.S. Treasury.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

The Department has entered into contractual commitments that require future use of financial resources, specifically for long-term lease obligations. The Department is committed to various leases primarily covering administrative office space, technical facilities and fleet vehicles with the GSA and other vendors, when granted the authority. Specifically, FAA and MARAD have general procurement provisions, pursuant to U.S.C. Title 49 Section 40110(c)(1) and Title 46 Section 50303, respectively. Leases may contain escalation clauses tied to changes in inflation, taxes, or renewal options. Although most have short termination arrangements, the Department intends to remain in the leases. Depending on terms, the leases are either recorded intragovernmental, short-term non-intragovernmental, and right-to-use leases (See Note 17).

O. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued annual leave account is adjusted to reflect the latest pay rates and unused hours of leave. Liabilities associated with other types of vested leave, including compensatory, credit hours, restored leave, and sick leave in certain circumstances, are accrued based on latest pay rates and unused hours of leave. Sick leave is generally nonvested, except for sick leave balances at retirement under the terms of certain union agreements. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned and not taken. Nonvested leave is expensed when used.

P. Retirement Plan

For DOT employees who participate in the Civil Service Retirement System (CSRS), DOT contributes a matching contribution equal to 7 percent of pay. On January 1, 1987, Federal Employee Retirement System (FERS) went into effect pursuant to Public Law (P.L.) 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DOT automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired after December 31, 1983, DOT also contributes the employer's matching share for Social Security.

Employing agencies are required to recognize pensions and other postretirement benefits during the employees' active years of service. Reporting the assets and liabilities associated with such benefit plans is the responsibility of the administering agency, the U.S. Office of Personnel Management (OPM). Therefore, DOT does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to employees.

Q. Federal Employees Health Benefit (FEHB) Program

Most Department employees are enrolled in the FEHB Program, which provides current and postretirement health benefits. OPM administers these programs and is responsible for reporting the related liabilities. OPM contributes the 'employer' share for retirees via an appropriation and the retirees contribute their portion of the benefit directly to OPM. OPM calculates the U.S. Government's service cost for covered employees each fiscal year. The Department has recognized the employer cost of these postretirement benefits for covered employees as an imputed cost.

R. Federal Employees Group Life Insurance (FEGLI) Program

Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance where the employee pays two-thirds of the cost and the Department pays one-third of the cost. OPM administers this program and is responsible for reporting the related liabilities. OPM calculates the U.S. Government's service cost for the postretirement portion of the basic life coverage each fiscal year. Because OPM fully allocates the Department's contributions for basic life coverage to the preretirement portion of coverage, the Department has recognized the entire service cost of the postretirement portion of basic life coverage as an imputed cost.

S. Federal Employees Compensation Act (FECA) Benefits

FECA (P.L. 103-3) provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the DOT for these paid claims.

A liability is recorded for actual and estimated future payments to be made for workers' compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because DOT will reimburse the DOL 2 years after the actual payment of expenses. Future revenues will be used to reimburse DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under FECA.

T. Environmental and Disposal Liabilities

DOT recognizes two types of environmental liabilities: unfunded environmental remediation liability and unfunded asset disposal liability. The liability for environmental remediation is an estimate of costs necessary to bring known contaminated sites into compliance with applicable environmental standards. The increase or decrease in the annual liability is charged to current year expense.

The asset cleanup and disposal liability is the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous material when an asset presently in service is shut down. DOT estimates the asset cleanup and disposal liability at the time that an asset is placed in service. For assets placed in service through FY 1998, the increase or decrease in the estimated environmental cleanup liability is charged to expense. Assets placed in service in

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

FY 1999 and after do not contain any known hazardous materials, and therefore do not have associated environmental liabilities.

There are no known possible changes to these estimates based on inflation, deflation, technology, or applicable laws and regulations.

U. Inter-Entity Costs

Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the DOT are recognized as imputed cost in the Statement of Net Cost, and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and revenues relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

V. Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amount of assets, liabilities and contingent liability disclosures as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates underlying the accompanying financial statements include the accruals of accounts and grants payable, and accrued legal, environmental, and disposal liabilities. Additionally, the Federal Credit Reform Act of 1990 (FCRA) requires the Department to use estimates in determining the reported amount of direct loan and loan guarantees, the loan guarantee liability and the loan subsidy costs associated with future loan performance.

W. Allocation Transfers

DOT is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and a recipient (child) entity. Allocation transfers are legal delegations by one Federal agency of its authority to obligate budget authority and outlay funds to another Federal agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account and subsequent obligations and outlays incurred by the receiving entity (child) are charged to this allocation account as the delegated activity is executed on the parent entity's behalf. All financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

DOT allocates funds, as the parent agency, to the following non-DOT Federal agencies in accordance with applicable public laws and statutes: U.S. Bureau of Indian Affairs, U.S. Bureau of Reclamation, U.S. Forest Service, U.S. National Park Service, U.S. Bureau of Land Management, U.S. Fish and Wildlife Service, U.S. Department of the Army, U.S. Army Corps of Engineers, Internal Revenue Service (IRS), U.S. Department of Housing and Urban Development (HUD), Denali Commission, U.S. Department of Navy, U.S. Department of the Air Force, U.S. Department of Agriculture, U.S. Department of Treasury, and the Appalachian Regional Commission.

DOT receives allocations of funds, as the child agency, from the following non-DOT Federal agencies in accordance with applicable laws and statutes: U.S. Department of the Interior, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, U.S. Department of Defense (DoD), and the Appalachian Regional Commission. This activity is included in the financial statements of the parent agency and is not included in the DOT financial statements.

X. Revenues and Other Financing Sources

Funds from Dedicated Collections Excise Tax Revenues (Nonexchange)

Two significant DOT programs, the Highway Trust Fund (HTF) and the Airport and Airway Trust Fund (AATF), receive nonexchange funding support from the dedicated collection of excise taxes.

The DOT September 30, 2024 financial statements reflect excise taxes certified by the IRS through June 30, 2024 and excise taxes distributed by the U.S. Treasury, Office of Tax Analysis (OTA) for the period July 1, 2024 to September 30, 2024, as specified by SFFAS 7, *Accounting for Revenue and Other Financing Sources*. The HTF and AATF receive their budget authority in the form of contract authority and direct appropriations. Contract authority permits programs to incur obligations in advance of an appropriation, offsetting collections, or receipts and authorizes the collections and deposits of excise taxes into and making expenditures from the HTF and AATF. Subsequently, Congress authorizes DOT to liquidate the contract authority only as appropriated. The excise tax revenue received in the HTF and AATF accounts remain invested until needed and is thereby liquidated and withdrawn from the investments.

Appropriations (Financing Source)

As a component of the U.S. Government-wide reporting entity, the DOT is subject to the Federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the U.S. Government-wide financial reports.

The DOT's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the U.S. Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

DOT receives annual, multiyear, and no-year appropriations. Appropriations are recognized as financing sources when related program and administrative expenses are incurred. Additional amounts are obtained from offsetting collections and user fees (e.g., overflight fees and registry certification fees) and through reimbursable agreements for services performed for domestic and foreign governmental entities. Additional revenue is received from gifts of donors, sales of goods and services to other agencies and the public, the collection of fees and fines, interest/dividends on invested funds, loans, and cash disbursements to banks. Interest income is recognized as revenue on the accrual basis rather than when received.

On October 5, 2018, former President Trump signed the FAA Reauthorization Act of 2018 P.L. 115-254, which extended the AATF authorizations and related revenue authorities to September 30, 2023. The Continuing Appropriations Act, 2024 and Other Extension Act, P.L. 118-15, further extended the AATF authorizations through December 31, 2023. The Airport and Airway Extension of Act of 2023, Part II (P.L. 118-34) and the Airport and Airway Extension Act of 2024, Part I (P.L. 118-41) and Part II (P.L. 118-60) then extended AATF authorizations through May 17, 2024. The FAA Reauthorization Act of 2024, P.L. 118-63, was passed on May 16, 2024 and authorizes the FAA's programmatic and financing authorities, the Airport Improvement Program contract authority, and the authority to collect and deposit excise taxes into and make expenditures from the AATF. The new authority expires on September 30, 2028.

The Infrastructure Investment and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), was signed into law on November 15, 2021 (P.L. 117-58), providing $383.3 billion in funding over a 5 year period for highway construction, infrastructure, research and development, safety , and transit programs. In addition to these amounts, Division J of P.L. 117-58 also provides $184.1 billion in Supplemental funding over a 5-year period for Highways, Transit, Aviation, Ports, Rail, and other key Transportation priorities. In addition to the amounts provided, IIJA/BIL also authorized an additional $93.5 billion for future appropriations. The BIL also provided funding for surface transportation further extending the HTF authorization through September 30, 2026.

The Inflation Reduction Act (IRA), P.L. 117-169, was signed into law on August 16, 2022. IRA provided roughly $5.6 billion to advance transportation equity and environmental programs.

Y. Non-Entity Activity

The Metropolitan Washington Airports Authority and the United States of America, acting by and through the Secretary of Transportation, entered into a lease, dated March 2, 1987, and effective July 7, 1987, whereby the Secretary leased the Metropolitan Washington Airports (Ronald Reagan Washington National Airport and Dulles International Airport) to the Airports Authority. The FAA collects the lease payments from the Airports Authority on behalf of the General Fund of the U.S. Government.

A lessor lease receivable (lease asset) and unearned revenue (lease liability) is recognized and initially measured at the present value of lease payments to be received for the lease term and amortized over the term of the lease. Because lease payments from the Metropolitan Washington Airports Authority are collected by the FAA on behalf of the General Fund, the lease receivable (lease asset) and the unearned revenue (lease liability) are reported as a non-entity asset and non-entity liability, respectively. A liability for non-entity assets to the General Fund is recorded to offset the non-entity lease asset (lease receivable)and an asset for non-entity liabilities of the General Fund is recorded to offset the non-entity lease liability (unearned revenue). Lessor revenues are reported on the Statement of Net Cost as non-entity program revenues and are offset by other financing sources on the Statement of Net Position.

Z. Fiduciary Activities

Fiduciary assets and liabilities are not assets and liabilities of the Department and, as such, are not recognized on the Balance Sheet. The MARAD Title XI Escrow Fund contains fiduciary activity as detailed in Note 24.

AA. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation and are not the result of a correction of an error or a change in accounting principle. Specifically, the actuarial FECA liability previously reported on the balance sheet as Federal employee benefits payable was reclassified to post-employment benefits payable. The accrued funded payroll and leave liability previously reported on the balance sheet as other liabilities was reclassified to federal employee salary, leave, and benefits payable. The sequence of note disclosures changed due to the addition of a new note disclosure for other assets. Notes 11, 13 and 16 were impacted by the balance sheet changes.

AB. Taxes

DOT, as a Federal entity is not subject to Federal, state, or local income taxes and, accordingly, does not record a provisions for income taxes in the accompanying financial statements.

AC. Classified Activities

SFFAS 56, *Classified Activities*, requires all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

AD. Subsequent Events

Effective October 1, 2024, the Department is operating under a continuing resolution (CR), P.L. 118-83, to continue Government operations. The CR will be in effect through December 20, 2024 unless superseded by enactment of specified appropriations legislation and includes a provision that allows the DOT to continue spending at FY 2024 rates.

In October 2024, Hurricanes Helene and Milton significantly impacted certain areas within the southeastern U.S. Currently, DOT, in conjunction with other Federal entities, is assessing the estimated financial impact of the affected areas. DOT is expecting states impacted by Hurricanes Helene and Milton to apply for emergency relief in the near future, however; the amounts are unknown as of the date of this report.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance With Treasury as of September 30, 2024 and 2023 consists of the following:

DOLLARS IN THOUSANDS	2024	2023
STATUS OF FUND BALANCE WITH TREASURY		
Unobligated Balance		
Available	$ 109,603,015	$ 98,673,726
Unavailable	3,803,282	3,502,450
Obligated Balance Not Yet Disbursed	48,798,390	42,363,689
Non-Budgetary Fund Balance with Treasury	202,069	345,118
Total	**$ 162,406,756**	**$ 144,884,983**

Fund Balances with Treasury are the aggregate amounts of the Department's accounts with Treasury for which the Department is authorized to make expenditures and pay liabilities. Fund Balance with Treasury is an asset to the DOT, but not to the Government as a whole because it is a liability of the Treasury General Fund.

Unobligated fund balances are reported as not available when the balance is not legally available for obligation. However, balances that are not available can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period. Obligated Balance not yet Disbursed includes unpaid obligations offset by investments, contract authority, and uncollected customer payments from other Federal Government accounts. Therefore, the unobligated and obligated balances presented will not agree to related amounts reported on the Combined Statements of Budgetary Resources.

The DOT is funded with appropriations from trust funds and the General Fund of the Treasury. While amounts appropriated from the General Fund of the Treasury are included in Fund Balance with Treasury, trust fund investments are not. Trust fund investments are redeemed, as needed, to meet DOT's cash disbursement needs, at which time the funds are transferred into Fund Balance with Treasury. The DOT also receives contract authority which allows obligations to be incurred in advance of an appropriation. The contract authority is subsequently funded, as authorized, from the trust fund allowing for the liquidation of the related obligations. Thus, investments and contract authority are not part of Fund Balance with Treasury; however, their balances will be transferred from the trust fund to Fund Balance with Treasury over time to liquidate obligated balances and unobligated balances as they become obligated, and thus are necessarily included in the Status of Fund Balance with Treasury.

DOT reports significantly more Fund Balance with Treasury than prior year, primarily due to the additional appropriations received from the IIJA, also known as the BIL.

NOTE 3. INVESTMENTS

Investments as of September 30, 2024 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	$ 54,734	$ (939)	$ 53,795	$ 54,141
Non-Marketable: Par Value	113,226,184	-	113,226,184	113,226,184
Non-Marketable: Market-Based	2,531,648	(10,589)	2,521,059	2,528,764
Subtotal	**115,812,566**	**(11,528)**	**115,801,038**	**115,809,089**
Accrued Interest Receivable	145,106	-	145,106	
Total Intragovernmental Securities and Investments	**$ 115,957,672**	**$ (11,528)**	**$ 115,946,144**	**$ 115,809,089**

Investments as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Cost/ Acquisition Value	Amortized Discount	Investments (Net)	Market Value
INTRAGOVERNMENTAL SECURITIES AND INVESTMENTS				
Marketable	$ 53,025	$ (929)	$ 52,096	$ 51,016
Non-Marketable: Par Value	132,274,094	-	132,274,094	132,274,094
Non-Marketable: Market-Based	2,456,438	(31,378)	2,425,060	2,410,588
Subtotal	**134,783,557**	**(32,307)**	**134,751,250**	**134,735,698**
Accrued Interest Receivable	127,704	-	127,704	
Total Intragovernmental Securities and Investments	**$ 134,911,261**	**$ (32,307)**	**$ 134,878,954**	**$ 134,735,698**

Investments include non-marketable par value and market-based Treasury securities and marketable securities issued by the Treasury. The Secretary of the Treasury invests AATF and HTF funds on behalf of the DOT in non-marketable par value Treasury securities. The DOT investments are considered investment authority and are available to offset the cost of operations to the extent authorized by the U.S. Congress. As of September 30, 2024 and 2023, $113.2 billion and $132.3 billion were invested respectively in U.S. Treasury Certificates of Indebtedness. Non-marketable par value Treasury securities are special series debt securities that the U.S. Treasury issues to Federal entities at face value (par value). The securities are redeemed at face value on demand; thus investing entities recover the full amounts invested plus interest.

Nonmarketable market-based Treasury securities are also issued by the Bureau of Fiscal Service to Federal accounts. They are debt securities that the Treasury issues to Federal entities without statutorily fixed interest rates. Although the securities are not marketable, their terms (prices and interest rates) mirror the terms of marketable Treasury securities. Marketable Federal securities can be bought and sold on the open market. The premiums and discounts are amortized over the life of the nonmarketable market-based and marketable securities using the interest method.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with dedicated collections. The cash receipts collected from the public that meet the definition of dedicated collections are deposited in the U.S. Treasury, which uses the cash for Government purposes. Treasury securities held by a fund from dedicated collections are an asset of the fund and a liability of the U.S. Treasury, so they are eliminated in consolidation for the U.S. Government-wide financial statements. Non-marketable par value Treasury securities are issued to DOT as evidence of these receipts. These securities provide DOT with authority to draw upon the U.S. Treasury to make future expenditures. When DOT requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures, in the same way that the Government finances all other expenditures.

The DOT does not have any investments in non-Federal securities.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts Receivable as of September 30, 2024 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	$ 107,430	$ (1,691)	$ 105,739
Total Intragovernmental	**107,430**	**(1,691)**	**105,739**
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	429,884	(165,361)	264,523
Accrued Interest	10,141	(5,466)	4,675
Total Other than Intragovernmental	**440,025**	**(170,827)**	**269,198**
Total Accounts Receivable	**$ 547,455**	**$ (172,518)**	**$ 374,937**

Accounts Receivable as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Gross Amount Due	Allowance For Uncollectible Amounts	Net Amount Due
INTRAGOVERNMENTAL			
Accounts Receivable	$ 92,364	$ (3,225)	$ 89,139
Total Intragovernmental	**92,364**	**(3,225)**	**89,139**
OTHER THAN INTRAGOVERNMENTAL			
Accounts Receivable	309,440	(173,346)	136,094
Accrued Interest	7,485	(5,419)	2,066
Total Other than Intragovernmental	**316,925**	**(178,765)**	**138,160**
Total Accounts Receivable	**$ 409,289**	**$ (181,990)**	**$ 227,299**

The other than intragovernmental accounts receivable, net includes $2.03 million non-entity accounts receivable. The $2.03 million non-entity accounts receivable, net is interest receivable from the lease arrangement with the Metropolitan Washington Airports Authority. See Note 10 Other Assets for additional information.

NOTE 5. ADVANCES AND PREPAYMENTS

Advances and Prepayments consist of the following as of September 30, 2024 and 2023:

DOLLARS IN THOUSANDS	2024	2023
INTRAGOVERNMENTAL		
Advances to Others and Prepayments	$ 19,058	$ 13,347
Total Intragovernmental Other Assets	**$ 19,058**	**$ 13,347**
OTHER THAN INTRAGOVERNMENTAL		
Advances to States for Right of Way	$ 252	$ 252
Advances to Others and Prepayments	1,704,063	2,230,212
Total Other than Intragovernmental	**$ 1,704,315**	**$ 2,230,464**

NOTE 5. ADVANCES AND PREPAYMENTS *(CONT.)*

Intragovernmental Advances to Others and Prepayments are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received. Other than Intragovernmental Advances to Others and Prepayments are comprised of advances to states, employees, grantees, and contractors, for expenses not yet incurred and services not yet received. The $1.70 billion and $2.23 billion of other than intragovernmental advances to others and prepayments is primarily related to the advances provided to Amtrak for expenses not yet incurred and services not yet received. The decrease in advances to others and prepayments is primarily due to a decrease in advances to Amtrak during FY 2024.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES

FCRA divides direct loans and loan guarantees into two groups:

1. **Pre-1992** - Direct loan obligations or loan guarantee commitments made prior to FY 1992 and the resulting direct loans or loan guarantees; and
2. **Post-1991** - Direct loan obligations or loan guarantee commitments made after FY 1991 and the resulting direct loans or loan guarantees.

The Act, as amended, governs direct loan obligations and loan guarantee commitments made after FY 1991, and the resulting direct loans and loan guarantees. Consistent with the Act, SFFAS 2, *Accounting for Direct Loans and Loan Guarantees*, requires Federal agencies to recognize the present value of the subsidy costs (which arises from interest rate differentials, interest supplements, defaults [net of recoveries], fee offsets, and other cash flows) as a cost in the year the direct or guaranteed loan is disbursed. Direct loans are reported net of an allowance for subsidy at present value, and loan guarantee liabilities are reported at present value. Foreclosed property is valued at the net realizable value. The value of assets for direct loans and defaulted guaranteed loans is not the same as the proceeds that would be expected from the sale of the loans. DOT does not have any Pre-1992 loans. All DOT loans are Post-1991.

Interest on the loans is accrued based on the terms of the loan agreement. DOT does not accrue interest on nonperforming loans that have filed for bankruptcy protection. DOT management considers administrative costs to be insignificant.

DOT administers the following direct loan and/or loan guarantee programs:

1. The Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Program provides Federal credit assistance for major transportation investments of critical national importance such as highway, transit, passenger rail, certain freight facilities, and certain port projects with regional and national benefits. The TIFIA credit program is designed to fill market gaps and leverage substantial private coinvestment by providing supplemental and subordinate capital.

2. The Railroad Rehabilitation Improvement Financing Program is used to acquire, improve, or rehabilitate intermodal or rail equipment or facilities, including track, components of tract, bridges, yards, buildings, and shops; refinance outstanding debt incurred; and develop or establish new intermodal or railroad facilities.

3. The Federal Ship Financing Fund (Title XI) offers loan guarantees to qualified shipowners and shipyards. Approved applicants are provided the benefit of long-term financing at stable interest rates. In FY 2019, Title XI ceased guarantees of new loans financed by the private sector. During FY 2020, the Department began disbursing loans financed by the Federal Financing Bank (FFB). Although, by statute, Title XI is a guaranteed loan program, under OMB reporting instructions, guarantees of FFB financed loans are accounted for as direct loans. Accordingly, MARAD has established a receivable for these loans on its books of record and services the debt by collecting and transferring payments to the FFB.

4. The OST Minority Business Resource Center (MBRC) Guaranteed Loan Program was created to help small businesses gain access to the financing needed to participate in transportation-related contracts. In FY 2018, MBRC ceased disbursement of new loans as new budget authority is no longer provided. As of the end of FY 2021, the loan guarantee terms expired on the remaining program loans.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

An analysis of loans receivable, allowance for subsidy costs, liability for loan guarantees, foreclosed property, modifications, and reestimates associated with direct loans and loan guarantees is provided in the following sections:

Direct Loans

Obligated After FY 1991

	2024 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
DIRECT LOAN PROGRAMS					
(1) TIFIA Loans	$ 20,641,628	$ 154,969	$ 166,635	$ (1,314,612)	$ 19,648,620
(2) Railroad Rehabilitation Improvement Financing Program	2,483,420	6,087	-	(119,399)	2,370,108
(3) Federal Ship Financing Fund (Title XI)	317,375	-	-	(1,436)	315,939
Total	**$ 23,442,423**	**$ 161,056**	**$ 166,635**	**$ (1,435,447)**	**$ 22,334,667**

	2023 Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy Cost (Present Value)	Value Of Assets Related To Direct Loans, Net
DIRECT LOAN PROGRAMS					
(1) TIFIA Loans	$ 19,946,608	$ 145,240	$ 166,635	$ (1,203,435)	$ 19,055,048
(2) Railroad Rehabilitation Improvement Financing Program	1,864,933	4,093	-	(81,524)	1,787,502
(3) Federal Ship Financing Fund (Title XI)	333,328	-	-	(4,069)	329,259
Total	**$ 22,144,869**	**$ 149,333**	**$ 166,635**	**$ (1,289,028)**	**$ 21,171,809**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Total Amount Of Direct Loans Disbursed (Post-1991)

	2024	2023
DIRECT LOAN PROGRAMS		
(1) TIFIA Loans	$1,221,362	$5,628,921
(2) Railroad Rehabilitation Improvement Financing Program	701,404	810,748
(3) Federal Ship Financing Fund (Title XI)	-	-
Total	**$ 1,922,766**	**$ 6,439,669**

Subsidy Expense For Direct Loans By Program And Component

Subsidy Expense for New Direct Loans Disbursed

	2024 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) TIFIA Loans	$-	$14,064	$-	$(21,320)	$(7,256)
(2) Railroad Rehabilitation Improvement Financing Program	-	11,292	-	(9,179)	2,113
(3) Federal Ship Financing Fund (Title XI)	-	-	-	-	-
Total	**$-**	**$25,356**	**$-**	**$(30,499)**	**$(5,143)**

	2023 Interest Differential	Defaults	Fees And Other Collections	Other Subsidy Costs	Total
DIRECT LOAN PROGRAMS					
(1) TIFIA Loans	$ -	$ 15,443	$ -	$(52,146)	$(36,703)
(2) Railroad Rehabilitation Improvement Financing Program	-	23,341	$(23,341)	(2,102)	(2,102)
(3) Federal Ship Financing Fund (Title XI)	-	-	-	-	-
Total	**$-**	**$38,784**	**$(23,341)**	**$(54,248)**	**$(38,805)**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Modifications and Reestimates

	2024 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) TIFIA Loans	$-	$(8,074)	$133,166	$125,092
(2) Railroad Rehabilitation Improvement Financing Program	-	5,784	55,493	61,277
(3) Federal Ship Financing Fund (Title XI)	-	(167)	(2,481)	(2,648)
Total	**$-**	**$(2,457)**	**$186,178**	**$183,721**

	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
DIRECT LOAN PROGRAMS				
(1) TIFIA Loans	$-	$(1,069,098)	$2,270,554	$1,201,456
(2) Railroad Rehabilitation Improvement Financing Program	-	-	41,621	41,621
(3) Federal Ship Financing Fund (Title XI)	-	(696)	(5,542)	(6,238)
Total	**$-**	**$(1,069,794)**	**$2,306,633**	**$1,236,839**

Total Direct Loan Subsidy Expense

	2024	2023
DIRECT LOAN PROGRAMS		
(1) TIFIA Loans	$117,836	$1,164,753
(2) Railroad Rehabilitation Improvement Financing Program	63,390	39,519
(3) Federal Ship Financing Fund (Title XI)	(2,648)	(6,238)
Total	**$178,578**	**$1,198,034**

Budget Subsidy Rates For Direct Loans For The Current Year Cohort

	2024 Interest Differential	Defaults	Fees And Other Collections	Other	Total
DIRECT LOAN PROGRAMS					
(1) TIFIA Loans Risk Category 1	-1.00%	1.70%	0.00%	0.00%	0.70%
(2) Railroad Rehabilitation Improvement Financing Program	-1.54%	1.66%	0.00%	0.00%	0.12%
(3) Federal Ship Financing Fund (Title XI)	0.00%	9.98%	-5.40%	0.00%	4.58%

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and reestimates.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Schedule For Reconciling Subsidy Cost Allowance Balances (Post-1991 Direct Loans)

DOLLARS IN THOUSANDS	2024	2023
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Subsidy Cost Allowance	$ 1,289,028	$ 95,629
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component		
Default Costs (Net of Recoveries)	25,356	38,784
Fees and Other Collections	-	(23,341)
Other Subsidy Costs	(30,499)	(54,248)
Total of the Above Subsidy Expense Components	**(5,143)**	**(38,805)**
Adjustments		
Fees Received	15	25
Subsidy Allowance Amortization	(32,174)	(28,000)
Other	-	23,340
Ending Balance of the Subsidy Cost Allowance Before Reestimates	**1,251,726**	**52,189**
Add or Subtract Subsidy Reestimates by Component		
Interest Rate Reestimate	(2,457)	(1,069,794)
Technical/Default Reestimate	186,178	2,306,633
Total of the Above Reestimate Components	**183,721**	**1,236,839**
Ending Balance of the Subsidy Cost Allowance	**$ 1,435,447**	**$ 1,289,028**

The economic assumptions of the TIFIA upward and downward reestimates were the result of a reassessment of risk levels as well as estimated changes in future cash flows on loans.

The Railroad Rehabilitation Improvement Financing Program's upward and downward reestimates were the result of an update for actual cash flows and changes in technical assumptions.

The downward reestimate on the Federal Ship Financing Fund (Title XI) FFB Loan Guarantees was a result of reduced risk levels of the loan portfolio.

Guaranteed Loans

Defaulted Guaranteed Loans From Post-1991 Guarantees

	2024 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy (Present Value)	Assets Related To Default Guaranteed Loans Receivable, Net
LOAN GUARANTEE PROGRAMS					
(3) Federal Ship Financing Fund (Title XI)	$ 163,701	$ -	$ -	$ -	$ 163,701
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	**$ 164,425**	**$ 72**	**$ -**	**$ (796)**	**$ 163,701**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

	2023 Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance For Subsidy (Present Value)	Assets Related To Default Guaranteed Loans Receivable, Net
LOAN GUARANTEE PROGRAMS					
(3) Federal Ship Financing Fund (Title XI)	$ 163,702	$ -	$ 1,009	$ -	$ 164,711
(4) OST Minority Business Resource Center	724	72	-	(796)	-
Total	**$ 164,426**	**$ 72**	**$ 1,009**	**$ (796)**	**$ 164,711**

Guaranteed Loans Outstanding

	2024 Outstanding Principal Of Guaranteed Loans, Face Value	Amount Of Outstanding Principal Guaranteed
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	$ 801,108	$ 801,108
Total	**$ 801,108**	**$ 801,108**

Liability For Loan Guarantee (Present Value Method)

	2024 Liabilities for Post-1991 Guarantees, Present Value
LOAN GUARANTEE PROGRAMS	
(3) Federal Ship Financing Fund (Title XI)	$ 252,294
Total	**$ 252,294**

Subsidy Expense For Loan Guarantees By Program And Component

Modifications and Reestimates

	2024 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(3) Federal Ship Financing Fund (Title XI)	$ -	$ (2,022)	$ 38,063	$ 36,041
Total	**$ -**	**$ (2,022)**	**$ 38,063**	**$ 36,041**

	2023 Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
LOAN GUARANTEE PROGRAMS				
(3) Federal Ship Financing Fund (Title XI)	$ -	$ (27,059)	$ (36,918)	$ (63,977)
Total	**$ -**	**$ (27,059)**	**$ (36,918)**	**$(63,977)**

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Total Loan Guarantee Subsidy Expense

	2024	2023
LOAN GUARANTEE PROGRAMS		
(3) Federal Ship Financing Fund (Title XI)	$ 36,041	$ (63,977)
Total	**$ 36,041**	**$ (63,977)**

Schedule For Reconciling Loan Guarantee Liability Balances (Post-1991 Loan Guarantees)

DOLLARS IN THOUSANDS	2024	2023
BEGINNING BALANCE, CHANGES, AND ENDING BALANCE		
Beginning Balance of the Loan Guarantee Liability	$ 217,255	$ 281,225
Add: Fees Received	7	-
Add: Upward Reestimates	63,907	80,868
Less: Downward Reestimates	(27,866)	(144,845)
Other	(1,009)	7
Ending Balance of the Loan Guarantee Liability	**$ 252,294**	**$ 217,255**

The Federal Ship Financing Fund (Title XI) upward technical reestimate was the result of reassessments of risk levels on the loan portfolio, in addition to the close out of a defaulted loan guarantee in which all possible recoveries have been received.

The OST Minority Business Resource Center program will report closing upward and downward re-estimates once the remaining cohort of borrowers complete the final collection process with Treasury.

The sufficiency of DOT's loan and loan guarantee portfolio reserves at September 30, 2024 is subject to future market and economic conditions. DOT continues to evaluate market risks in light of evolving economic conditions. The impact of such risks on DOT's portfolio reserves, if any, cannot be fully known at this time and could cause results to differ from estimates. Under the Federal Credit Reform Act, reserve reestimates are automatically covered by permanent indefinite budget authority, thereby providing DOT with sufficient resources to cover losses incurred without further Congressional action.

NOTE 6. LOAN RECEIVABLE, NET AND LOAN GUARANTEE LIABILITIES *(CONT.)*

Loans Receivable: Direct and Defaulted Guarantee Loans

The following table provides a summary of the change in loan receivables, net for direct and defaulted guaranteed loans as of September 30, 2024 and 2023:

	2024	2023
Beginning Balance of Direct and Guaranteed Loans Receivable, Net	$ 21,336,520	$ 16,265,614
Add: Loans Disbursed Payments	1,922,766	6,439,669
Add: Capitalized Interest	128,135	150,801
Less: Principal and Interest Payments Received	(741,625)	(326,164)
Less: Fees Received	(15)	(25)
Less: Loans Written Off	(1,009)	-
Less: Subsidy Expense	(25,356)	(38,784)
Add: Negative Subsidy Payments	30,499	54,248
Less: Upward Reestimates	(421,630)	(1,383,675)
Add: Downward Reestimates	237,909	146,836
Subsidy Allowance Amortization Increase/(Decrease)	32,174	28,000
Ending Balance of Direct and Guaranteed Loans Receivable, Net	**$ 22,498,368**	**$ 21,336,520**

NOTE 7. INVENTORY AND RELATED PROPERTY

Inventory and Related Property as of September 30, 2024 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	$ 286,667	$ -	$ 286,667
Inventory Held for Repair	466,488	-	466,488
Other	40,950	-	40,950
Total Inventory	**794,105**	**-**	**794,105**
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	392,331	(1,986)	390,345
Items Held in Reserve for Future Use	34,890	-	34,890
Excess, Obsolete and Unserviceable Items	3,204	(1,989)	1,215
Items Held for Repair	44,599	(21,059)	23,540
Total Operating Materials & Supplies	**475,024**	**(25,034)**	**449,990**
Total Inventory and Related Property			**$ 1,244,095**

Inventory and Related Property as of September 30, 2023 consists of the following:

DOLLARS IN THOUSANDS	Cost	Allowance For Loss	Net
INVENTORY			
Inventory Held for Current Sale	$ 280,973	$ -	$ 280,973
Inventory Held for Repair	443,426	-	443,426
Other	36,923	-	36,923
Total Inventory	**761,322**	**-**	**761,322**
OPERATING MATERIALS AND SUPPLIES			
Items Held for Use	253,920	(1,986)	251,934
Items Held in Reserve for Future Use	36,653	-	36,653
Excess, Obsolete and Unserviceable Items	7,404	(6,189)	1,215
Items Held for Repair	48,524	(23,021)	25,503
Total Operating Materials & Supplies	**346,501**	**(31,196)**	**315,305**
Total Inventory and Related Property			**$ 1,076,627**

Inventory is held for sale to the FAA field locations and other domestic entities and foreign governments and is classified as either held for sale, held for repair, or excess, obsolete, and unserviceable. Other inventory consists of raw materials and work in progress. Collectively, FAA's inventory is used to support our Nation's airspace system and is predominately located at the FAA Mike Monroney Aeronautical Center in Oklahoma City. Inventory that is deemed to be excess, obsolete and unserviceable is expected to have no net realizable value and a loss is recognized for the carrying amount. The carrying amount before identification as excess, obsolete and unserviceable inventory was $15.3 million in FY 2024 and $20.8 million in FY 2023.

Operating materials and supplies consist primarily of unissued materials and supplies to be used in the repair and maintenance of FAA-owned aircraft and to support the training vessels and day-to-day operations at the U.S. Merchant Marine Academy (USMMA).

See Note 1H for additional information on DOT Accounting Policies related to Inventory and Related Property.

NOTE 8. PROPERTY, PLANT & EQUIPMENT, NET

Property, Plant and Equipment as of September 30, 2024 consists of the following:

DOLLARS IN THOUSANDS	Service Life (In Years)	Acquisition Value	Accumulated Depreciation/ Amortization	Book Value
MAJOR CLASSES				
Land and Improvements	10-40	$ 105,119	$ (2,355)	$ 102,764
Buildings and Structures	20-40	8,445,405	(5,012,635)	3,432,770
Equipment	5-15	18,958,324	(14,868,334)	4,089,990
Internal Use Software	3-10	5,993,432	(3,653,390)	2,340,042
Right-to-Use Lease Assets	3-32	286,766	(41,183)	245,583
Leasehold Improvements	3	199,056	(170,792)	28,264
Aircraft	20	506,824	(403,230)	103,594
Ships and Vessels	20-25	2,901,829	(1,857,062)	1,044,767
Small Boats	10	29,616	(29,082)	534
Construction-in-Progress	N/A	3,791,627	-	3,791,627
Total		**$ 41,217,998**	**$ (26,038,063)**	**$ 15,179,935**

	Net PPE 2024
Balance Beginning of Year, Unadjusted	$ 14,009,229
Effects of Implementation of SFFAS 54	
De-recognition of Assets Under Capital Lease at 10/01/2023	(32,250)
Recognition of Right-to-Use Assets at 10/01/2023	209,408
Balance Beginning of Year, Adjusted	14,186,387
Capitalized Acquisitions	2,641,798
Right-to-Use Lease Assets, Current Year	77,358
Amortization of Right-to-Use Lease Assets, Current Year	(43,881)
Dispositions	(25,558)
Revaluations	(390,183)
Donations	65,536
Transfers	(2,504)
Depreciation Expense	(1,329,108)
Balance End of Year	**$ 15,179,935**

NOTE 8. PROPERTY, PLANT & EQUIPMENT, NET *(CONT.)*

Property, Plant and Equipment as of September 30, 2023 consists of the following:

DOLLARS IN THOUSANDS	Service Life (In Years)	Acquisition	Accumulated Depreciation/ Amortization	Book Value
Land and Improvements	10-40	$ 105,489	$ (2,391)	$ 103,098
Buildings and Structures	20-40	7,811,161	(4,764,146)	3,047,015
Equipment	5-15	18,475,554	(14,437,063)	4,038,491
Internal Use Software	3-10	5,710,893	(3,261,559)	2,449,334
Assets Under Capital Lease	6-10	90,111	(57,861)	32,250
Leasehold Improvements	3	200,606	(167,397)	33,209
Aircraft	20	505,519	(391,076)	114,443
Ships and Vessels	20-25	2,406,004	(1,826,991)	579,013
Small Boats	10	30,186	(29,548)	638
Construction-in-Progress	N/A	3,611,738	-	3,611,738
Total		**$ 38,947,261**	**$ (24,938,032)**	**$ 14,009,229**

	Net PPE 2023
Balance Beginning of Year	$ 12,873,847
Capitalized Acquisitions	2,590,153
Dispositions	(2,114)
Revaluations	(254,314)
Donations	13,012
Transfers	47,414
Depreciation Expense	(1,258,769)
Balance End of Year	**$ 14,009,229**

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

Construction-in-progress (CIP) primarily relates to national airspace assets, which are derived from centrally funded national systems development contracts, site preparation and testing, raw materials, and internal labor charges. The accumulation of costs to be capitalized for assets in PP&E typically flow into and remain in the CIP account until the asset is ready for deployment and placed in service. Once placed in service, the asset balance is transferred from the CIP category to its respective asset category.

See Note 1I for additional information on DOT Accounting Policies related to PPE, net.

See Note 17 for additional information on DOT Leases to include right-to-use lease assets.

Information concerning deferred maintenance and repairs (DM&R) and estimated land acreage is discussed in unaudited required supplementary information.

NOTE 9. STEWARDSHIP PROPERTY, PLANT, & EQUIPMENT

DOT has title to both personal and real property Heritage assets.

Personal Property Heritage Assets

Implied within the MARAD's mission is the promotion of the Nation's rich maritime heritage; including the collection, maintenance, and distribution of maritime artifacts removed from agency-owned ships prior to their disposal. As ships are assigned to a nonretention status, artifact items are collected, inventoried, photographed, and relocated to secure shoreside storage facilities. This resulting inventory is made available on a long-term loan basis to qualified organizations for public display purposes.

MARAD artifacts and other collections are generally on loan to single-purpose memorialization and remembrance groups, such as AMVETS National Service Foundation and other preservation societies. MARAD maintains a Web-based inventory system that manages the artifact loan process. The program also supports the required National Historic Preservation Act processing prior to vessel disposal. Funding for the maintenance of heritage items is typically the responsibility of the organization requesting the loan of a heritage asset. The artifacts and other collections are composed of ships' operating equipment obtained from obsolete ships. The ships are inoperative and in need of preservation and restoration. As all items are durable and restorable, disposal is not a consideration. The artifacts and other collections are removed from inventory when determined to be in excess of the needs of the collection, or destroyed while on loan. The following table shows the number of physical units added and withdrawn as of September 30, 2024.

	Units As Of 9/30/2023	Additions	Withdrawals	Units As Of 9/30/2024
HERITAGE ASSETS				
Personal Property				
Artifacts	361	3	4	360
Other Collections	6,051	11	6	6,056
Total Personal Property Heritage Assets	**6,412**	**14**	**10**	**6,416**

Real Property Heritage Assets

Washington's Union Station supports DOT's mobility mission, facilitating the movement of intercity and commuter rail passengers through the Washington, D.C. metropolitan area. FRA has an oversight role in the management of Washington's Union Station (WUS). FRA received title pursuant to statute and leases the property to a private entity, which manages the property.

Union Station is an elegant and unique turn-of-the-century rail station in which a wide variety of elaborate, artistic workmanship, characteristic of the period is found. Union Station is listed on the National Register of Historic Places. The station consists of the renovated original building and a parking garage, which was added by the National Park Service.

The Nuclear Ship *Savannah* is the world's first nuclear-powered merchant ship. It was constructed as a joint project of the MARAD and the Atomic Energy Commission (AEC) as a signature element of President Eisenhower's historic "Atoms for Peace" program. In 1965, the AEC issued a commercial operating license and ended its participation in the joint program. The ship remains licensed and regulated by the U.S. Nuclear Regulatory Commission (NRC), successor to the AEC. The Nuclear Ship *Savannah* is listed on the National Register of Historic Places. The ship is a boldly styled passenger/cargo vessel powered by a nuclear reactor.

Actions taken by MARAD since FY 2006 have stabilized the ship and rehabilitated portions of its interior for workday occupancy by staff and crew. The ship is currently located in Baltimore, MD, where it is being prepared for continued "SAFSTOR" (The NRC method of preparing nuclear facilities for storage and decontamination) retention under the provisions of its NRC license.

MARAD also has 35 buildings that encircle the central quadrangle of the USMMA and the William S. Barstow house, which are listed on the National Register of Historic Places.

Information concerning DM&R and estimated land acreage is discussed in unaudited required supplementary information.

NOTE 10. OTHER ASSETS

Other Assets consist of the following as of September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
INTRAGOVERNMENTAL		
Other Assets for Non-entity Liabilities - General Fund of the U.S. Government	$ 149,702	$ -
Total Intragovernmental	**149,702**	**-**
OTHER THAN INTRAGOVERNMENTAL		
Lessor Lease Receivable	$ 149,400	$ -
Total Other than Intragovernmental	**149,400**	**-**
Total Other Assets	**$ 299,102**	**$ -**

Starting in FY 2024, for leases other than short-term, intragovernmental, and contracts or agreements that transfer ownership Federal lessor reporting entities are required to report lease receivables.

A lessor lease receivable (lease asset) is recognized for the lease arrangement with the Metropolitan Washington Airports Authority. The lessor lease receivable is initially measured at the present value of lease payments to be received for the lease term and reduced as those payments are collected over the term of the lease. Because lease payments from the Metropolitan Washington Airports Authority are collected by the FAA on behalf of the General Fund, the unearned revenue (lease liability) is reported as a non-entity liability, and an asset for non-entity liabilities of the General Fund is therefore recorded to offset the non-entity lease liability (unearned revenue). See Note 17 Leases for additional information.

NOTE 11. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities Not Covered by Budgetary Resources as of September 30, 2024 and 2023 consist of the following:

DOLLARS IN THOUSANDS	2024	2023
INTRAGOVERNMENTAL		
Other Liabilities		
Unfunded FECA Liabilities	$ 149,744	$ 151,197
Unfunded Employment Related Liability	29,717	29,252
Other Liabilities	7,129	6,592
Total Intragovernmental	**186,590**	**187,041**
OTHER THAN INTRAGOVERNMENTAL		
Federal Employee Salary, Leave, and Benefits Payable	700,616	669,323
Post Empolyment Benefits Payable	683,469	717,992
Environmental and Disposal Liabilities (Note 14)	901,197	907,010
Other Liabilities		
Legal Claims	13,169	419,974
Unfunded Lessee Lease Liability (Note 17)	251,601	
Capital Lease Liabilities	-	32,470
Other Liabilities	46,807	23,345
Total Other than Intragovernmental	**2,596,859**	**2,770,114**
Total Liabilities Not Covered by Budgetary Resources	**2,783,449**	**2,957,155**
Total Liabilities Covered by Budgetary Resources	38,705,258	38,446,626
Total Liabilities Not Requiring Budgetary Resources	713,345	330,199
Total Liabilities	**$42,202,052**	**$ 41,733,980**

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. The unfunded lessee lease liability reflects the present value of lease payments required to be paid to a lessor for the lease term, that will be funded by future years' budgetary resources.

Intragovernmental Liabilities are those liabilities that are with other Federal Government entities.

Liabilities Not Requiring Budgetary Resources are those liabilities payable to the General Fund of the U.S. Government primarily for custodial and other liabilities for nonentity assets to include downward subsidy reestimates in the general fund receipt account.

Certain line items may not tie to the related financial statement line item because information contained in this note is related only to liabilities not covered by budgetary resources.

NOTE 12. DEBT

Debt activities during the fiscal year ended September 30, 2024 and September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	2023 Beginning Balance	2023 Net Borrowing	2023 Ending Balance	2024 Net Borrowing	2024 Ending Balance
INTRAGOVERNMENTAL DEBT					
Debt to the Treasury	$ 16,065,921	$ 6,154,476	$ 22,220,397	$ 52,452	$22,272,849
Debt to the Federal Financing Bank	349,282	(15,953)	333,329	(15,953)	317,376
Total Intragovernmental Debt	$ 16,415,203	$ 6,138,523	$ 22,553,726	$36,499	$22,590,225

As part of its credit reform program, DOT borrows from the U.S. Treasury and the Federal Financing Bank to fund certain transactions disbursed in its financing accounts. Borrowings are needed to fund the unsubsidized portion of anticipated loan disbursements and to transfer the credit subsidy related to downward reestimates from the financing account to the receipt account or when available cash is less than claim payments.

During FY 2024, DOT's U.S. Treasury borrowings carried interest rates ranging from .74 percent to 6.1 percent. The maturity dates for these borrowings occur between September 2025 and September 2063. Federal Financing Bank borrowings carried an interest rate of 2.38 percent. The maturity date for these borrowings occur September 2055. Loans may be repaid in whole or in part without penalty at any time. Borrowings from the U.S. Treasury and the Federal Financing Bank are considered covered by budgetary resources, as no congressional action is necessary to pay the debt.

The increase in Debt to the Treasury is primarily due to increases in borrowings for the TIFIA Loan Program.

NOTE 13. FEDERAL EMPLOYEE SALARY, LEAVE AND POST EMPLOYMENT BENEFITS PAYABLE

Federal Employee Benefits Payable during the fiscal year ended September 30, 2024 and September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	2024	2023
Accrued Funded Payroll and Leave	$ 531,186	$ 466,661
Employer Contributions Payable	22,481	19,432
Unfunded Leave	650,648	622,169
Other Unfunded Employment Related Liability	49,968	47,154
Total Federal Employee Salary, Leave and Benefits Payable	**$ 1,254,283**	**$ 1,155,416**
Acturarial Federal Employees Compensation Act (FECA) Liability	683,469	717,993
Total Post-Employment Benefits Payable	**$ 683,469**	**$ 717,993**

Accrued Funded Payroll and Leave

The accrued funded payroll and leave consists of the estimated amount of liability for salaries, wages and funded annual leave and sick leave that have been earned but have not yet been paid.

FECA

The FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by DOL, which pays valid claims and subsequently seeks reimbursement from DOT for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by DOT. DOT reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two year lag between payment by DOL and reimbursement by DOT. As a result, DOT recognizes a liability for the actual claims paid by DOL and to be reimbursed by DOT.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually, as of September 30, using a method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. DOT recognizes an

NOTE 13. FEDERAL EMPLOYEE SALARY, LEAVE AND POST EMPLOYMENT BENEFITS PAYABLE *(CONT.)*

unfunded liability to DOL for these estimated future payments. The projected annual benefit payments are discounted to present value using the OMB's economic assumptions for 10-year Treasury notes and bonds. To provide for the effects of inflation on the liability, wage inflation factors (i.e., cost of living adjustments) and medical inflation factors (i.e., consumer price index medical adjustments) are applied to the calculation of projected future benefit payments. These factors are also used to adjust historical benefit payments to current-year constant dollars. A discounting formula is used to recognize the timing of benefit payments as 13 payments per year rather than an annual lump sum.

In addition, Other Liabilities (Note 16) includes $150.0 million and $151.5 million at September 30, 2024 and 2023, respectively, for intragovernmental FECA liabilities representing amounts billed to DOT by the DOL for FECA payments made on DOT's behalf.

Employer Contributions Payable

Employer contributions include the Thrift Savings Plan tax-deferred retirement savings and investment plan available to Federal employees.

Unfunded Leave

The unfunded leave liability consists of unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources. Unfunded leave liability includes accrued annual, compensatory, and credit hours leave.

Other Unfunded Employment Related Liability

The other unfunded employment related liability is comprised of sick leave buyback option for eligible employees. Under the terms of various bargaining unit agreements, employees who are in FERS have the option to receive a lump sum payment for 40 percent of their accumulated sick leave as of their effective retirement date.

NOTE 14. ENVIRONMENTAL & DISPOSAL LIABILITIES

Environmental and Disposal Liabilities as of September 30, 2024 and 2023 consist of the following:

DOLLARS IN THOUSANDS	2024	2023
Environmental Remediation	$ 370,725	$ 371,373
Asset Cleanup and Disposal	554,420	570,856
Total Environmental and Disposal Liabilities	**$ 925,145**	**$ 942,229**

Environmental Remediation

Environmental remediation generally occurs under the Resource Conservation and Recovery Act of 1976 (RCRA), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA or Superfund), or the Toxic Substances Control Act (TSCA). Environmental remediation includes the remediation of fuels, solvents, and other contamination associated with releases to the environment where DOT owns the property, leases the property, or is identified as a responsible party by a regulatory agency.

As of September 30, 2024 and 2023, DOT's environmental remediation liability primarily includes the removal of contaminants and remediation at various sites managed by the FAA and MARAD. To help manage the cleanup of the contaminated sites, FAA established an Environmental Cleanup Program that includes three service areas, which are responsible for oversight of the contaminated sites. The service area personnel use both actual costs and an automated, parametric cost-estimating tool that provides estimates for all phases of investigation and remediation to estimate the environmental remediation liability.

Asset Cleanup and Disposal

The FAA asset cleanup liability is estimated using a combination of actual costs, adjusted for inflation, and project-specific cost proposals for certain targeted facilities. FAA uses the average cleanup costs of the targeted facilities as the cost basis for the other like facilities to arrive at the estimated liability for asset cleanup.

The National Maritime Heritage Act requires that MARAD dispose of certain merchant vessels owned by the U.S. Government, including nonretention ships in the fleet. Residual fuel, asbestos, and solid polychlorinated biphenyls (PCB) sometimes exist onboard MARAD's nonretention ships. Nonretention ships are those MARAD September vessels that no longer have a useful application and are pending disposition. The asset disposal liability as of September 30, 2024, includes the estimated cost of disposing 85 ships. In addition, DOT records an asset disposal liability for the estimated cost that will be incurred to remove, contain, and/or dispose of hazardous materials when an asset is removed from service.

NOTE 14. ENVIRONMENTAL & DISPOSAL LIABILITIES *(CONT.)*

Estimating the Department's cost estimates for environmental cleanup and asset disposal liabilities requires making assumptions about future activities and is inherently uncertain. These liabilities are not adjusted for inflation and are subject to revision as a result of changes in technology and environmental laws and regulations.

See Note 18 for contingent environmental liabilities.

NOTE 15. GRANT ACCRUAL

Grantees primarily include state and local governments and transit authorities. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid, by DOT.

Grant accruals by DOT Operating Administrations as of September 30, 2024 and 2023 were as follows:

DOLLARS IN THOUSANDS	2024	2023
Federal Aviation Administration	$ 2,011,058	$ 3,243,824
Federal Highway Administration	7,210,849	6,074,269
Federal Transit Administration	3,185,679	3,199,820
Other Operating Administrations	289,276	308,836
Total Grant Accrual	$ 12,696,862	$ 12,826,749

The decrease in grant accruals are primarily due to increases in reimbursements from grantees for the FAA Coronavirus Disease 2019 (COVID-19) related grants. These reimbursements result in a reduction of grant accrual payable balance.

NOTE 16. OTHER LIABILITIES

Other Liabilities as of September 30, 2024 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	$ -	$ 191,253	$ 191,253
FECA Billings	82,498	67,550	150,048
Liability for Nonentity Assets	149,130	242,292	391,422
Other Accrued Liabilities	704	208,361	209,065
Total Intragovernmental	**$ 232,332**	**$ 709,456**	**$ 941,788**
OTHER THAN INTRAGOVERNMENTAL			
Legal Claims (Note 18)	-	13,169	13,169
Unearned Lessor Revenue	147,726	1,976	149,702
Unfunded Lessee Lease Liability	201,999	49,602	251,601
Lessee Lease Liability	-	167	167
Other Accrued Liabilities	33,584	35,005	68,589
Total Other than Intragovernmental	**$ 383,309**	**$ 99,919**	**$ 483,228**
Total Other Liabilities	**$ 615,641**	**$ 809,375**	**$ 1,425,016**

NOTE 16. OTHER LIABILITIES *(CONT.)*

Other Liabilities as of September 30, 2023 consist of the following:

DOLLARS IN THOUSANDS	Non-Current	Current	Total
INTRAGOVERNMENTAL			
Accrued Pay and Benefits	$ -	$ 164,926	$ 164,926
FECA Billings	83,432	68,035	151,467
Liability for Nonentity Assets	-	291,277	291,277
Other Accrued Liabilities	288	74,477	74,765
Total Intragovernmental	**$ 83,720**	**$ 598,715**	**$ 682,435**
OTHER THAN INTRAGOVERNMENTAL			
Legal Claims (Note 18)	-	419,974	419,974
Capital Leases	24,579	7,891	32,470
Other Accrued Liabilities	-	45,159	45,159
Total Other than Intragovernmental	**24,579**	**473,024**	**497,603**
Total Other Liabilities	**$ 108,299**	**$ 1,071,739**	**$ 1,180,038**

Intragovernmental Accrued Pay and Benefits consists of DOT contributions payable to other Federal agencies for employee benefits. These include DOT contributions payable toward life insurance, health insurance, retirement benefits, and Social Security. These benefits also include DOT contributions payable for the Federal Insurance Contributions Act taxes, which are composed of the old-age, survivors, and disability insurance taxes, also known as Social Security taxes, and the hospital insurance tax, also known as Medicare tax.

FECA Billings is an unfunded liability recorded for the actual cost of workers' compensation benefits to be reimbursed to the DOL, pursuant to the FECA. Reimbursement to the DOL occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intragovernmental liability are made available to the DOT as part of its annual appropriation from the U.S. Congress in the year in which the reimbursement takes place.

A liability for unearned lessor revenue (lease liability) is recognized for the lease arrangement with the Metropolitan Washington Airports Authority. The liability is initially measured at the present value of lease payments to be received for the lease term and amortized over the term of the lease. Because lease payments from the Metropolitan Washington Airports Authority are collected by the FAA on behalf of the General Fund, the lease receivable (lease asset) is reported as a non-entity asset, and a liability for non-entity assets of the General Fund is therefore recorded to offset the non-entity lease asset (lease receivable). DOT liability for non-entity assets is also comprised of downward subsidy reestimates in the general fund receipt account payable to the General Fund of the U.S. Government.

NOTE 17. LEASES

Entity As A Lessee

Intragovernmental Leases

DOT has intragovermental leases primarily with General Services Administration (GSA) that are mostly for space, buildings, and structures. GSA leases include terms with a short termination privilege. However, DOT intends to remain in the leases. In addition, GSA leases are inclusive of other costs such as utilities, taxes and janitorial services. The DOT recognizes intragovernmental lease payments, including lease-related operating costs paid to the lessor, as expenses based on the payment provisions of the contract or agreement. The GSA rent activity for the DOT Headquarters Building is paid to the DOT Working Capital Fund by the OAs. The DOT Working Capital Fund then pays the total lease payments for the department to GSA.

As of September 30, 2024 intragovernmental leases were comprised of the following:

DOLLARS IN THOUSANDS	2024
Summary of Intragovernmental Leases by Category	
Land, Buildings, and Structures	225,618
Other	24
Total Intragovernmental Lease Expenses	**$225,642**

NOTE 17. LEASES *(CONT.)*

Entity As Lessee

Right-to-Use Leases:

Starting in FY 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

Certain lease payments made in exchange for the right to use the underlying asset that are variable in nature, and ultimately dependent on future calculation, may not be determinable at lease commencement. For instance, payments that are based on future performance of the lessee (percentage rents based on sales) or usage of the underlying asset (vehicle charges based on miles driven). These payments are not included in the lease liability. Instead, such payments are recognized as expenses in the reporting period in which those payments are incurred. As of September 30, 2024, there were no lease expenses recognized for variable lease payments not previously included in the lease liability.

DOT right-to-use lease assets are primarily leases of land, buildings and machinery with non-intragovernmental lessors. The lease terms expire at various dates through 2055. Future lease payments are discounted using the interest rate charged by the lessor. If not stated in the lease, the discount rate is based on the interest rate on marketable Treasury securities with a similar maturity to the term of the lease. The discount rates used to calculate the lease liabilities range from 4.02 percent to 4.91 percent.

As of September 30, 2024 right-to-use leases were comprised of the following:

DOLLARS IN THOUSANDS	2024
Right-to-Use Lease Assets	286,766
Accumulated Amortization	(41,183)
Net Right-to-Use Lease Assets	**$245,583**

DOLLARS IN THOUSANDS	2024
Lease Amortization Expense	43,881
Interest Expense	11,756
Total Annual Lease Expense	**$55,637**

As of September 30, 2024, DOT's future payments due on right-to-use lease liabilities were:

Fiscal Year	Principal	Interest	Total
FUTURE PAYMENTS DUE			
2025	40,508	10,530	51,038
2026	41,882	8,556	50,438
2027	41,547	6,673	48,220
2028	37,619	4,877	42,496
2029	17,930	3,552	21,482
2030-2034	41,656	10,498	52,154
2035-2039	20,676	4,266	24,942
2040-2044	9,393	999	10,392
2045-2049	347	25	372
2050+	43	4	47
Total Future Lease Payments	**$251,601**	**$49,980**	**$301,581**

NOTE 17. LEASES *(CONT.)*

Entity As Lessor
Right-to-Use Leases:

The Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500, authorized the Secretary of Transportation to enter into a lease of the Metropolitan Washington Airports (i.e., Ronald Reagan Washington National Airport and Dulles International Airport) with the Metropolitan Washington Airports Authority. The Secretary and the Airports Authority may at any time negotiate an extension of the lease. The current lease term extends through June 6, 2100. The FAA collects the lease payments from the Airports Authority on behalf of the General Fund of the U.S. Government. Because the collections are not available to the FAA, the related lease receivable (lease asset) and unearned revenue (lease liability) are reported by the FAA as non-entity assets and liabilities.

As of September 30, 2024 right-to-use leases were comprised of the following:

DOLLARS IN THOUSANDS	Acquisition Value	Accumulated Depreciation	Net Book Value
Class of Fixed Asset			
Land	$ 16,246	$ -	$ 16,246

DOLLARS IN THOUSANDS	2024
Amortization of Unearned Lease Revenue	1,976
Variable Lease Revenue	289
Other Lease Revenue	-
Interest Revenue	6,445
Net Right-to-Use Lease Assets	**$8,710**

As of September 30, 2024, DOT's future receipts due on right-to-use lease assets were:

Fiscal Year	Principal	Interest	Total
FUTURE RECEIPTS DUE			
2025	270	6,420	6,690
2026	282	6,408	6,690
2027	294	6,396	6,690
2028	290	6,400	6,690
2029	320	6,370	6,690
2030-2034	1,801	31,650	33,451
2035-2039	2,227	31,224	33,451
2040-2044	2,737	30,714	33,451
2045-2049	3,405	30,046	33,451
2050-2054	4,212	29,239	33,451
2055-2059	5,210	28,241	33,451
2060-2064	6,430	27,021	33,451
2065-2069	7,972	25,479	33,451
2070-2074	9,861	23,590	33,451
2075-2079	12,198	21,253	33,451
2080-2084	15,080	18,371	33,451
2085-2089	18,668	14,783	33,451
2090-2094	23,094	10,357	33,451
2095-2099	28,569	4,882	33,451
2100+	6,480	210	6,690
Total	**$149,400**	**$359,054**	**$508,454**

NOTE 18. COMMITMENTS & CONTINGENCIES

Legal Liabilities

DOT legal contingencies include asserted and pending legal claims. An accrued liability is recognized for legal claims where the loss is probable and the amount can be reasonably estimated. For pending legal claims where the loss is reasonably possible, a liability is not recognized, however, the estimated range of loss is disclosed in the following table. There are other claims that could result in significant pay-outs; however, it is not possible at this time to determine the probability of an unfavorable outcome, or to estimate the amount of potential loss in the event of such an outcome. DOT does not have material amounts of known unasserted claims.

As of September 30, 2024 and 2023, DOT's contingent liabilities, in excess of amounts accrued (Note 16), for asserted and pending legal claims are as follows:

2024	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
LEGAL CONTINGENCIES			
Probable	$ 13,169	$ 13,076	$ 375,869
Reasonably Possible		469,310	2,330,073

2023	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
LEGAL CONTINGENCIES			
Probable	$ 419,974	$ 419,805	$ 419,805
Reasonably Possible		372,798	2,183,095

Grant Programs

Advance construction is a technique which allows a state to initiate a project using non-Federal funds while preserving eligibility for future Federal-aid funds. FHWA has authority to approve projects using advance construction under 23 U.S.C. 115(a) and 23 Code of Federal Regulations (CFR) 630.701–630.709. FHWA does not guarantee the ultimate funding to the states for these "advance construction" projects and, accordingly, does not obligate any funds for these projects. The state may submit a written request to the FHWA that a project be converted to a regular Federal-aid project at any time provided that sufficient Federal-aid funds and obligation authority are available. The state also retains discretion to fund a project that was authorized for advanced construction without any Federal funds or with less than the maximum Federal share. As of September 30, 2024 and 2023, FHWA has $85.0 billion and $75.4 billion, respectively, of advanced construction authorizations that could be converted to Federal obligations, subject to the availability of funds. These authorizations have not been recognized in the DOT consolidated financial statements at September 30, 2024 and 2023.

FTA executes Full Funding Grant Agreements (FFGAs) under its Capital Investment Grants Program under 49 U.S.C. 5309(k)(2), Fixing America's Surface Transportation Act of 2015 (FAST) Act § 3005(b)(2), and similar provisions in earlier surface transportation acts. The FFGAs authorize transit authorities to incur costs with their own funds in advance of Federal funds being made available. As of September 30, 2024 and September 30, 2023, FTA had funding commitments in FFGAs totaling $10.33 billion and $2.16 billion, respectively, which had not been obligated. FTA includes information about these commitments in its budget submissions and annual funding recommendations report to Congress. There is no liability related to these commitments reflected in the DOT consolidated financial statements at September 30, 2024.

FAA's Airport Improvement Program (AIP) provides grants for the planning and development of public-use airports that are included in the National Plan of Integrated Airport Systems. FAA has authority under 49 U.S.C. 47110(e) to issue letters of intent to enter into a series of annual AIP grant agreements. A letter of intent is neither an obligation nor an administrative commitment of funds. FAA records an obligation when a grant is awarded. As of September 30, 2024 and 2023, FAA has letters of intent totaling $503 million and $280 million, respectively, which had not been obligated. These letters of intent have not been recognized in the DOT consolidated financial statements at September 30, 2024 and 2023.

NOTE 18. COMMITMENTS & CONTINGENCIES *(CONT.)*

Environmental Liabilities

As of September 30, 2024 and 2023, DOT environmental contingencies include environmental remediation, and environmental clean-up and decommissioning. An accrued liability is recognized for environmental contingencies where the loss is probable and the amount can be reasonably estimated. For environmental contingencies where the loss is reasonably possible, a liability is not recognized, however, the estimated range of loss is disclosed in the following table. The FAA is a party to environmental remediation sites in Alaska, the Pacific Islands, and New Jersey in which the extent of liability is not both probable and reasonably estimable. As a result, a liability is not recognized for these sites without further studies and negotiations with other Federal agencies.

2024	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	$ 925,145	925,145	925,145
Reasonably Possible		133,797	133,797

2023	Accrued Liabilities	Estimated Range Of Loss	
		Lower End	Upper End
ENVIRONMENTAL CONTINGENCIES			
Probable	$ 942,229	942,229	942,229
Reasonably Possible		135,295	135,295

See Note 14 for additional information on environmental liabilities.

Aviation Insurance Program

The FAA provides non-premium war risk insurance for certain U.S. Government contracted operations as permitted by 49 U.S.C. 44305. Coverage is provided without premium to air carriers at the written request of other U.S. Government agencies. The scope of coverage under the Non-Premium War Risk Insurance program includes hull, bodily injury, personal injury, and property damage. The FAA is currently providing coverage for certain DoD contracted air carrier operations.

Because insurance policies are issued only at the request of other Federal departments and agencies, total coverage-in-force fluctuates throughout the fiscal year. The coverage-in-force at any given point in time does not represent a potential liability against the Aviation Insurance Revolving Fund because the Secretary of Defense has entered into an indemnity agreement with the Secretary of Transportation and will fully reimburse the Fund for all losses paid by the FAA on behalf of DoD.

Marine War Risk Insurance Program

MARAD is authorized to issue hull and liability insurance under the Marine War Risk Insurance Program for vessel operations for which commercial insurance is not available on reasonable terms and conditions, when the vessel is considered to be in the interest of national defense or national economy of the United States. MARAD may issue (1) premium-based insurance for which a risk based premium is charged and (2) nonpremium insurance for vessels under charter operations for the Military Sealift Command.

Additional commitments are discussed in Note 6-Loan Receivable, Net and Loan Guarantee Liabilities, Non-Federal Borrowers, and Note 17-Leases.

FY 2024 Hurricane Contingencies

In September 2024, Hurricane Helene significantly impacted certain areas within the southeastern United States. Currently, DOT, in conjunction with other Federal entities, is assessing the estimated financial impact of the affected areas. Several states, have applied for and received emergency relief funding from existing DOT resources; however, additional requests may be provided as cost estimates are being completed. As of the date of this report, DOT has not received any supplemental funding for Hurricane Helene.

Other Contingencies

The FAA's logistics center issues parts to customers with a 90-day warranty, that are replaced free of charge if warranty conditions are met. An accrued liability is recognized for warranty contingencies where the loss is probable and the amount can be reasonably estimated. The loss contingency is estimated based on historical averages of parts that failed and the warranty claims are approved. A loss contingency is not estimated for warranty claims that are reasonably possible of loss.

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS

DOT Administers certain dedicated collections, which are specifically identified revenues, often supplemented by other financing sources, that remain available over time. Descriptions of the significant dedicated collections related to these accounts are as follows:

Highway Trust Fund (HTF)

The HTF was created by the Highway Revenue Act of 1956 with the main objective of funding the construction of the Dwight D. Eisenhower System of Interstate and Defense Highways. Over the years, the use of the fund has been expanded to include mass transit and other surface transportation programs such as highway safety and motor carrier safety programs. The Highway Revenue Act of 1982 established two accounts within the HTF, the Highway Account and the Mass Transit Account. The HTF consists of the Highway Corpus Trust Fund and certain accounts of FHWA, FMCSA, FRA, FTA, NHTSA, and OST. The HTF's programs and activities are primarily financed from excise taxes collected on specific motor fuels, truck taxes, and fines and penalties.

Airport & Airway Trust Fund (AATF)

The AATF was authorized by the Airport and Airway Revenue Act of 1970 to provide funding for the Federal commitment to the Nation's aviation system.

Funding currently comes from several aviation-related excise tax collections from passenger tickets, passenger flight segments, international arrivals/departures, cargo waybills, and aviation fuels.

Mass Transit Account

Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) legislation (P.L. 109-59) changed the way FTA programs are funded. Beginning in FY 2006, the FTA formula and bus grant programs are funded 100 percent by the HTF.

The following is a list of other funds from dedicated collections for which DOT has program management responsibility.

Other Dedicated Collections

- Aviation Insurance Revolving Fund
- Pipeline Safety
- Emergency Preparedness Grant
- Aviation User Fees
- Aviation Operations
- Grants-in-Aid for Airports
- Aviation Facilities and Equipment
- Aviation Research, Engineering and Development
- Essential Air Service and Rural Airport Improvement Fund
- Contributions for Highway Research Program
- Cooperative Work, Forest Highways
- Payment to Air Carriers
- Technical Assistance, United States Dollars Advanced from Foreign Governments
- Gifts and Bequests, Maritime Administration
- Special Studies, Services and Projects
- Equipment, Supplies, etc., for Cooperating Countries
- War-Risk Insurance Revolving Fund
- International Highway Transportation Outreach Program
- Trust Fund Share of Pipeline Safety
- Advances from State Cooperating Agencies, Foreign Governments, and Other Federal Agencies

For the periods ended September 30, 2024 and 2023, respectively, funds from dedicated collections are summarized in the following charts. This note is presented on a combined basis. The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity. Similarly, the combined presentation does not eliminate intra-entity balances or transactions with non-dedicated collections. In addition, this note presents only the funds from dedicated collections that are financing sources available for future expenses, and funds that have been expended but have not yet achieved their designated purpose, such as construction in progress. As such, PP&E that has been placed in service, that was funded from dedicated collections, are excluded from this note; these funds are no longer available for future expenditure and have been used for their intended purpose.

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2024

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2024 Total Funds From Dedicated Collections (Consolidated)
BALANCE SHEET							*As of September 30, 2024*
Intragovernmental							
Assets							
Fund Balance with Treasury	$4,410,465	$ 774,801	$ 14,452	$ 2,899,301	$ 8,099,019	$ -	$ 8,099,019
Investments, Net	96,549,199	16,789,074	-	2,607,871	115,946,144	-	115,946,144
Accounts Receivable, Net	110,356,119	-	-	7,266,881	117,623,000	(117,571,677)	51,323
Advances and Prepayments	204,280	-	-	243,726	448,006	(23,568)	424,438
Total Intragovernmental	211,520,063	17,563,875	14,452	13,017,779	242,116,169	(117,595,245)	124,520,924
Other than Intragovernmental							
Accounts Receivable, Net	15,738	-	-	36,508	52,246	-	52,246
Property, Plant & Equipment, Net	467,829	-	-	3,055,652	3,523,481	-	3,523,481
Advances and Prepayments	760	-	-	3,124	3,884	-	3,884
Total Other than Intragovernmental	484,327	-	-	3,095,284	3,579,611	-	3,579,611
Total Assets	$ 212,004,390	$17,563,875	$14,452	$16,113,063	$245,695,780	$ (117,595,245)	$128,100,535
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	$ 110,676,508	$ 6,820,152	$ -	$ 471,832	$ 117,968,492	$ (117,571,677)	$ 396,815
Advances from Others and Deferred Revenue	421,976	-	-	17,783	439,759	(23,568)	416,191
Other Liabilities	20,617	-	-	322,739	343,356		343,356
Total Intragovernmental Liabilities	111,119,101	6,820,152	-	812,354	118,751,607	(117,595,245)	1,156,362
Other than Intragovernmental							
Accounts Payable	36,693	-	-	534,132	570,825	-	570,825
Federal Employee Salary, Leave and Benefits Payable	109,924	-	-	1,014,748	1,124,672	-	1,124,672
Post Empolyment Benefits Payable	12,142	-	-	633,585	645,727	-	645,727
Accrued Grant Liabilities	9,278,092	-	43	1,488,464	10,766,599	-	10,766,599
Advances from Others and Deferred Revenue	86,476	-	-	165,734	252,210	-	252,210
Other Liabilities	22,359	-	1,444	7,009	30,812	-	30,812
Total Other than Intragovernmental Liabilities	9,545,686	-	1,487	3,843,672	13,390,845	-	13,390,845
Total Liabilities	120,664,787	6,820,152	1,487	4,656,026	132,142,452	(117,595,245)	14,547,207
Unexpended Appropriations	-	-	550	919,517	920,067	-	920,067
Cumulative Results of Operations	91,339,603	10,743,723	12,415	10,537,520	112,633,261	-	112,633,261
Total Liabilities and Net Position	$ 212,004,390	$ 17,563,875	$ 14,452	$ 16,113,063	$ 245,695,780	$ (117,595,245)	$ 128,100,535
STATEMENT OF NET COST							For the period ended September 30, 2024
Program Costs	$ 70,741,564	$ -	$ 155	$ 20,138,441	$ 90,880,160	$ (14,287)	$ 90,865,873
Less Earned Revenue	303,120	35	-	769,353	1,072,508	(14,287)	1,058,221
Net Program Costs	70,438,444	(35)	155	19,369,088	89,807,652	-	89,807,652
Costs Not Attributed to Programs	-	-	-	-			-
Net Cost of Operations	$ 70,438,444	$ (35)	$ 155	$ 19,369,088	$ 89,807,652	$ -	$ 89,807,652

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2024

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2024 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION							*For the period ended September 30, 2024*
Unexpected Appropriations							
Beginning Balance	$ -	$ -	$ 550	$ 1,164,942	$ 1,165,492		$ 1,165,492
Appropriations Received	-	-	-	636,477	636,477		636,477
Appropriations Transferred in/out	-	-	-	1,830	1,830		1,830
Other Adjustments	-	-	-	(29,247)	(29,247)		(29,247)
Appropriations Used	-	-	-	(854,485)	(854,485)		(854,485)
Total Unexpended Appropriations	-	-	550	919,517	920,067		920,067
Cumulative Results of Operations							
Beginning Balance	112,376,695	11,169,404	12,570	10,876,286	134,434,955		134,434,955
Changes in Accounting Principles	-	-	-	(36,198)	(36,198)		(36,198)
Beginning Balance, as Adjusted	112,376,695	11,169,404	12,570	10,840,088	134,398,757		134,398,757
Appropriations Used	-	-	-	854,485	854,485		854,485
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Receipts	45,990	-	-	6,109	52,099		52,099
Intragovernmental Non-Exchange Revenue	48,562,288	18,803,880	-	-	67,366,168		67,366,168
Donations and Forfeitures of Cash/Cash Equivalents	-	-	-	957	957		957
Transfers In/Out Without Reimbursement	965,017	(19,229,596)	-	17,285,754	(978,825)		(978,825)
Imputed Financing	76,094	-	-	919,261	995,355		995,355
Other	(248,037)	-	-	(46)	(248,083)		(248,083)
Net Cost of Operations	70,438,444	(35)	155	19,369,088	89,807,652		89,807,652
Net Change in Cumulative Results of Operations	(21,037,092)	(425,681)	(155)	(302,568)	(21,765,496)		(21,765,496)
Cumulative Results of Operations: Ending	91,339,603	10,743,723	12,415	10,537,520	112,633,261		112,633,261
Net Position, End of Period	$ 91,339,603	$ 10,743,723	$ 12,965	$ 11,457,037	$ 113,553,328	$ -	$ 113,553,328

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2023

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2023 Total Funds From Dedicated Collections (Consolidated)
BALANCE SHEET							*As of September 30, 2023*
Assets							
Intragovernmental							
Assets							
Fund Balance with Treasury	$ 5,901,340	$ 789,749	$ 14,652	$ 3,715,247	$ 10,420,988	$ -	$ 10,420,988
Investments, Net	115,690,657	16,694,184	-	2,494,113	134,878,954	-	134,878,954
Accounts Receivable, Net	102,164,562	-	-	6,335,151	108,499,713	(108,456,381)	43,332
Advances and Prepayments	191,398	-	-	251,139	442,537	(28,324)	414,213
Total Intragovernmental	223,947,957	17,483,933	14,652	12,795,650	254,242,192	(108,484,705)	145,757,487
Other than Intragovernmental							
Accounts Receivable, Net	14,401	-	-	38,041	52,442	-	52,442
Property, Plant & Equipment, Net	401,895	-	-	3,392,865	3,794,760	-	3,794,760
Advances and Prepayments	763	-	-	1,881	2,644	-	2,644
Total Other than Intragovernmental	417,059	-	-	3,432,787	3,849,846	-	3,849,846
Total Assets	$ 224,365,016	$ 17,483,933	$ 14,652	$ 16,228,437	$ 258,092,038	$ (108,484,705)	$ 149,607,333
Liabilities and Net Position							
Intragovernmental							
Accounts Payable	$ 103,459,544	$ 6,314,529	$ -	$ 19,041	$ 109,793,114	$ (108,456,381)	$ 1,336,733
Advances from Others and Deferred Revenue	531,364	-	-	36,547	567,911	(28,324)	539,587
Other Liabilities	18,782	-	-	303,335	322,117	-	322,117
Total Intragovernmental Liabilities	104,009,690	6,314,529	-	358,923	110,683,142	(108,484,705)	2,198,437
Other than Intragovernmental							
Accounts Payable	36,221	-	-	447,065	483,286	-	483,286
Federal Employee Salary, Leave and Benefits Payable	97,473	-	-	941,195	1,038,668	-	1,038,668
Post Employment Benefits Payable	12,820	-	-	666,847	679,667	-	679,667
Accrued Grant Liabilities	7,720,841	-	88	1,602,052	9,322,981	-	9,322,981
Advances from Others and Deferred Revenue	88,825	-	-	143,535	232,360	-	232,360
Other Liabilities	22,451	-	1,444	27,592	51,487	-	51,487
Total Other than Intragovernmental Liabilities	7,978,631	-	1,532	3,828,286	11,808,449	-	11,808,449
Total Liabilities	111,988,321	6,314,529	1,532	4,187,209	122,491,591	(108,484,705)	14,006,886
Unexpended Appropriations	-	-	550	1,164,942	1,165,492	-	1,165,492
Cumulative Results of Operations	112,376,695	11,169,404	12,570	10,876,286	134,434,955	-	134,434,955
Total Liabilities and Net Position	$ 224,365,016	$ 17,483,933	$ 14,652	$ 16,228,437	$ 258,092,038	$ (108,484,705)	$ 149,607,333
STATEMENT OF NET COST							*For the year ended September 30, 2023*
Program Costs	$ 61,752,258	$ -	$ 154	$ 18,800,656	$ 80,553,068	$ (19,350)	$ 80,533,718
Less Earned Revenue	370,232	4	-	657,878	1,028,114	(19,350)	1,008,764
Net Program Costs	61,382,026	(4)	154	18,142,778	79,524,954	-	79,524,954
Costs Not Attributed to Programs	-	-	-	-	-	-	-
Net Cost of Operations	$ 61,382,026	$ (4)	$ 154	$ 18,142,778	$ 79,524,954	$ -	$ 79,524,954

NOTE 19. FUNDS FROM DEDICATED COLLECTIONS *(CONT.)*

Fiscal Year 2023

DOLLARS IN THOUSANDS	Highway Trust Fund	Airport and Airway Trust Fund	Mass Transit	Other Funds From Dedicated Collections	Total Funds From Dedicated Collections (Combined)	Eliminations Between Dedicated Collection Funds	Fiscal Year 2023 Total Funds From Dedicated Collections (Consolidated)
STATEMENT OF CHANGES IN NET POSITION							*For the period ended September 30, 2023*
Unexpected Appropriations							
Beginning Balance	$ -	$ -	$ 550	$ 1,257,772	$ 1,258,322	$ -	$ 1,258,322
Appropriations Received	-	-	-	1,921,179	1,921,179	-	1,921,179
Appropriations Transferred In/Out	-	-	-	1,080	1,080	-	1,080
Other Adjustments	-	-	-	(25,023)	(25,023)	-	(25,023)
Appropriations Used	-	-	-	(1,990,066)	(1,990,066)	-	(1,990,066)
Total Unexpended Appropriations	**-**	**-**	**550**	**1,164,942**	**1,165,492**	**-**	**1,165,492**
Cumulative Results of Operations							
Beginning Balance	$ 125,691,575	$ 5,425,218	$ 12,724	$ 10,997,972	$ 142,127,489	$ -	$ 142,127,489
Appropriations Used	-	-	-	1,990,066	1,990,066	-	1,990,066
Other than Intragovernmental Non-Exchange Revenue:							
Miscellaneous Taxes and Receipts	48,476	-	-	4,384	52,860	-	52,860
Intragovernmental Non-Exchange Revenue	47,939,375	22,596,583	-	-	70,535,958	-	70,535,958
Donations and Forfeitures of Cash/Cash Equivalents	-	-	-	901	901	-	901
Transfers In/Out Without Reimbursement	194,579	(16,852,401)	-	15,291,957	(1,365,865)	-	(1,365,865)
Imputed Financing	59,177	-	-	733,784	792,961	-	792,961
Other	(174,461)	-	-	-	(174,461)	-	(174,461)
Net Cost of Operations	61,382,026	(4)	154	18,142,778	79,524,954	-	79,524,954
Net Change in Cumulative Results of Operations	(13,314,880)	5,744,186	(154)	(121,686)	(7,692,534)	-	(7,692,534)
Total Cumulative Results of Operations	**112,376,695**	**11,169,404**	**12,570**	**10,876,286**	**134,434,955**	**-**	**134,434,955**
Net Position, End of Period	**$ 112,376,695**	**$ 11,169,404**	**$ 13,120**	**$ 12,041,228**	**$ 135,600,447**	**$ -**	**$ 135,600,447**

NOTE 20. EXCISE TAXES & OTHER NONEXCHANGE REVENUE

The IRS collects various excise taxes that are deposited into the HTF and AATF. The OTA distributes the amount collected/revenue recognized bimonthly and adjusts the allocations to reflect actual collections quarterly. The IRS submits certificates of actual tax collections to DOT four months after the quarter end. During FY 2024, the DOT financial statements include actual excise tax revenue certified through June 30, 2024, and excise tax revenue allocated by OTA for the quarters ended September 30, 2024. As a result, total taxes recognized in the DOT FY 2024 financial statements include the OTA allocation of $16.5 billion for the quarter ended September 30, 2024 and the actual amounts certified through June 30, 2024 of $40.6 billion.

NOTE 20. EXCISE TAXES & OTHER NONEXCHANGE REVENUE *(CONT.)*

For the years ended September 30, 2024 and 2023, respectively, excise taxes and associated nonexchange revenue, which are reported on the Consolidated Statements of Changes in Net Position, are as follows.

For the periods ended September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
HIGHWAY TRUST FUND		
Excise Taxes and Other Nonexchange Revenue		
Gasoline	$ 25,215,406	$ 23,491,817
Diesel and Special Motor Fuels	10,037,727	10,952,827
Trucks	8,262,520	9,232,300
Investment Income	6,045,112	5,717,542
Fines and Penalties	748	53
Total Taxes	**49,561,513**	**49,394,539**
Less: Transfers	(1,025,968)	(1,542,265)
Other Nonexchange Revenue	27,491	87,154
Net Highway Trust Fund Excise Taxes & Other Nonexchange Revenue	**48,563,036**	**47,939,428**
FEDERAL AVIATION ADMINISTRATION		
Excise Taxes and Other Nonexchange Revenue		
Passenger Ticket	$ 11,944,226	$ 15,740,165
International Departure	4,956,201	5,195,110
Fuel (Air)	518,463	849,320
Waybill	707,076	748,610
Investment Income	511,213	319,098
Tax Refunds and Credits	166,701	(255,721)
Other	6,109	4,384
Net Federal Aviation Administration Excise Taxes & Other Nonexchange Revenue	**18,809,989**	**22,600,966**
Other Miscellaneous Net Nonexchange Revenue	46,958	50,896
Total Nonexchange Revenue	**$ 67,419,983**	**$ 70,591,290**

NOTE 21. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with law.

The following budget terms are commonly used:

- **Appropriation:** A provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.
- **Borrowing authority:** A type of budget authority that permits obligations and outlays to be financed by borrowing.
- **Budgetary resources:** Amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.
- **Contract authority:** A type of budget authority that permits obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations.
- **Distributed offsetting receipts**: Amounts that an agency collects from the public or from other U.S. Government agencies that are used to offset or reduce an agency's budget outlays. Agency outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).
- **Offsetting collections:** Payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.
- **Offsetting receipts:** Payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the Government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.
- **Obligation:** A binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.
- **Outlay:** A payment to liquidate an obligation. Outlays generally are equal to cash disbursements and are the measure of Government spending.
- **Spending authority from offsetting collections:** A type of budget authority that permits obligations and outlays to be financed by offsetting collections.

Unobligated Balance From Prior Year Budget Authority, Net

The unobligated balance from prior year budget authority is presented net of transfers, recoveries from prior year obligations, and balances withdrawn for cancelled authority.

As a result, the amount will not equal the prior year unobligated balance, end of year total.

For the periods ended September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
Unobligated Balance brought forward, October 1	$ 129,056,650	$ 107,263,503
Adjustments to Unobligated Balance brought forward, October 1	-	2,539,049
Recoveries of Prior Year Obligations	2,238,026	2,000,081
Other Adjustments to Unobligated Balance brought forward, October 1	(256,078)	(326,225)
Unobligated Balance from prior year budget authority, net	**$ 131,038,598**	**$ 111,476,408**

NOTE 21. INFORMATION RELATED TO THE STATEMENT OF BUDGETARY RESOURCES *(CONT.)*

Borrowing Authority, End Of Period And Terms Of Borrowing Authority Used

DOT had $5.2 billion and $1.7 billion in borrowing authority in FY 2024 and FY 2023, respectively. Borrowing authority is indefinite and authorized under the FCRA, and is used to finance obligations during the current year, as needed. Under the provisions of the FCRA, DOT's direct loan and loan guarantee programs are authorized to borrow funds from Treasury to support its credit programs. All loan drawdowns are dated October 1 of the applicable fiscal year. Interest is payable at the end of each fiscal year based on activity for that fiscal year. Principal can be repaid at any time funds become available. Repayment is effectuated by a combination of loan recoveries and upward reestimates.

DOLLARS IN THOUSANDS	2024	2023
Available Contract Authority at Year-End	$ 25,012,789	$ 24,914,130

DOLLARS IN THOUSANDS	2024		2023	
	Federal	Non-Federal	Federal	Non-Federal
Undelivered Orders at Year-End, unpaid	$ 1,200,299	$ 194,309,240	$ 1,132,716	$ 176,426,148
Undelivered Orders at Year-End, paid	817,649	1,704,314	786,240	2,230,840

Existence, Purpose, And Availability Of Permanent Indefinite Appropriations

DOT has permanent indefinite budgetary authority for use in their credit programs that is provided from, and more details are available in FCRA. This funding is available for reestimates and interest on reestimates. DOT's credit programs are explained in detail in Note 6.

Legal Arrangements Affecting The Use Of Obligated Balances

Unobligated balances remain legally available for obligation when the funds are apportioned by the OMB and the period of availability is unexpired. Unobligated balances are not available when the funds are not yet apportioned or the period of availability is expired. Unobligated balances of expired accounts are not available to fund new obligations, but they can be used for upward adjustments of obligations that were incurred during the period of availability or for paying claims attributable to that time period.

Aviation insurance investments and marine war risk insurance investments are not available for obligation until authorized, for example, in the event of a major air carrier loss or vessel operations loss caused by a war risk occurrence.

Statement Of Budgetary Resources Vs. Budget Of The United States Government

The reconciliation for the year ended September 30, 2023, is presented in the following table. The reconciliation for the fiscal year ended September 30, 2024, is not presented, because the submission of the Budget of the United States Government (Budget) for FY 2025, which presents the execution of the FY 2024 budget, occurs after publication of these financial statements. The DOT Budget Appendix can be found on the OMB Web site and will be available in early February 2025.

DOLLARS IN MILLIONS	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 270,164	$ 141,108	$ (1,432)	$ 110,914
Funds Not Reported in the Budget	-	-	-	-
Expired Funds	(473)	-	-	-
Non-Budgetary Credit Reform Financing Accounts - Disbursements, Net	-	-	-	6,331
Other	-	-	1	(7)
Budget of the United States Government	**$ 269,691**	**$ 141,108**	**$ (1,431)**	**$ 117,238**

Other differences represent financial statement adjustments, timing differences, and other immaterial differences between amounts reported in the Department's Statement of Budgetary Resources and the Budget of the United States Government.

NOTE 22. CUSTODIAL ACTIVITY

Cash collections that are "custodial" are not revenue to the DOT, but are collected on behalf of other Federal entities or funds. Custodial collections are considered to be incidental to the DOT's operations. The following table presents custodial collections and the disposition of those collections for the years ended September 30, 2024 and 2023:

DOLLARS IN THOUSANDS	2024	2023
SOURCES OF CASH COLLECTIONS		
Miscellaneous Receipts	$ 368,314	$ 397,233
User Fees	765	1,322
Fines, Penalties and Forfeitures	63,699	134,443
Total Cash Collections	**432,778**	**532,998**
Accrual Adjustment	137,738	10,446
Total Custodial Revenue	**570,516**	**543,444**
DISPOSITION OF COLLECTIONS		
Transferred to Treasury's General Fund	415,954	452,055
Transferred to Highway Trust Fund	16,824	80,943
Increase (Decrease) in Amounts to be Transferred	137,738	10,446
Net Custodial Activity	**$ -**	**$ -**

NOTE 23. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary outlays and non-budgetary resources available to the reporting entity with its net cost of operations. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the Federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Net cost should be reconciled to net outlays, which should exclude financing account activity. Net outlays represent net budgetary outlays and do not include net disbursements of credit financing accounts. The change in FCRA loan receivables should not be reflected as a reconciling item due to credit programs affecting net cost and net outlays via the subsidy cost.

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

- The acquisition of capital assets results in outlays, but does not result in costs. Rather, the costs are recognized over the useful lives of the assets as depreciation expense. To reconcile this difference, depreciation is a component of net operating cost, but not part of net outlays; and the acquisition of capital assets is a component of net outlays, but not part of net operating cost.
- The grant accrual results in costs, but does not result in outlays. The grant accrual consists of an estimate of grantee expenses incurred, but not yet paid by DOT which is a component of net operating costs, but not part of net outlays.
- The effects of the prior year subsidy cost re-estimate does not impact the current year net cost of operations, but is part of the net outlays in the current year to reflect the budgetary outlay to the general fund receipt account.

Although some differences presented in the reconciliation relate to amounts reported in the balance sheet and statement of net position, the amounts may not tie. Certain financial activities do not result in net operating cost, nor net outlays, and are therefore excluded from the reconciliation. For example, the purchase of investments results in a change in assets on the balance sheet, but does not result in net operating cost nor net outlays. In addition, intradepartmental transactions and balances have been eliminated from the balance sheet for presentation on a consolidated basis, however, intradepartmental transactions and balances have not been eliminated on the reconciliation for the accounts receivable and related liability and transfer activity related to credit reform upward and downward reestimates. The reciprocating elimination activity is included in the credit financing accounts which have been excluded from the reconciliation.

NOTE 23. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS *(CONT.)*

For the year ended September 30, 2024

DOLLARS IN THOUSANDS	Intragovermental	Other than Intragovermental	Total
NET OPERATING COST (SNC)	**$ 3,557,061**	**$ 113,134,157**	**$ 116,691,218**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(1,329,018)	(1,329,018)
Property, Plant, and Equipment Disposals and Revaluation	-	(415,741)	(415,741)
Right-to-use Lease Asset Amortization	-	(43,881)	(43,881)
Cost of Goods Sold	(863)	(67,761)	(68,624)
Inventory Disposals Revaluations	-	38,253	38,253
Year-end Credit Reform Subsidy Re-estimates	296,274	-	296,274
Increase/(Decrease) in Assets			
Accounts Receivable, Net	(34,689)	(4,450)	(39,139)
Investments, Net	23,075	-	23,075
Advances and Prepayments	5,715	(526,150)	(520,435)
(Increase)/Decrease in Liabilities:			
Accounts Payable	957,359	(141,991)	815,368
Environmental and Disposal Liabilities	-	17,084	17,084
Federal Employee Salary, Leave and Benefits Payable	-	(98,866)	(98,866)
Post Employment Benefits Payable	-	34,523	34,523
Advances From Others and Deferred Revenue	(34,309)	(25,458)	(59,767)
Other Liabilities			
Accrued Grant Liabilities	-	129,887	129,887
Lessee Lease Liability	-	37,522	37,522
Other	22,851	383,000	405,851
Financing Sources			
Imputed Costs	(1,098,897)	-	(1,098,897)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**136,516**	**(2,013,047)**	**(1,876,531)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	86,894	2,554,904	2,641,798
Acquisition of Inventory	-	197,998	197,998
Effect of Prior Year Credit Reform Subsidy Re-estimates	(1,675,781)	-	(1,675,781)
Financing Sources			
Donated Revenue	-	(957)	(957)
Transfers Out (In) Without Reimbursements	(5,330)	-	(5,330)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**(1,594,217)**	**2,751,945**	**1,157,728**
Miscellaneous Items			
FCRA Net Cost Impact	(599,241)	603,045	3,804
Custodial/Non-exchange Revenue	(4,381)	(71,148)	(75,529)
Custodial/Exchange Revenue	162,390	(359,969)	(197,579)
Non-Entity Activity	296,274	8,710	304,984
Other Temporary Timing Differences	-	8,179	8,179
Appropriated Receipts for Trust/Special Funds	1,335,730	-	1,335,730
Total Other Reconciling Items	**1,190,772**	**188,817**	**1,379,589**
Total Net Outlays	**$ 3,290,132**	**$ 114,061,872**	**$ 117,352,004**
Outlays, Net (SBR 4190)			119,680,337
Distributed Offsetting Receipts (SBR 4200)			(2,328,333)
Budgetary Agency Outlays, Net (SBR 4210)			**117,352,004**

NOTE 23. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS *(CONT.)*

For the year ended September 30, 2023

DOLLARS IN THOUSANDS	Intragovermental	Other than Intragovermental	Total
NET OPERATING COST (SNC)	**$ 2,886,060**	**$ 105,175,538**	**$ 108,061,598**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation	-	(1,258,769)	(1,258,769)
Property, Plant, and Equipment Disposal & Reevaluation	-	(256,428)	(256,428)
Cost of Goods Sold	(306)	(61,837)	(62,143)
Inventory Disposals Revaluations	-	12,935	12,935
Applied Overhead/Cost Capitalization Offset			
Year-end Credit Reform Subsidy Re-estimates	345,930	-	345,930
Increase/(Decrease) in Assets			
Accounts Receivable, Net	(200,062)	11,442	(188,620)
Investments, Net	12,337	-	12,337
Advances and Prepayments	6,160	285,466	291,626
(Increase)/Decrease in Liabilities:			
Accounts Payable	(993,660)	154,303	(839,357)
Environmental and Disposal Liabilities	-	(66,009)	(66,009)
Federal Employee, Salary, Leave, and Benefits Payable	-	(41,127)	(41,127)
Post Employment Benefits Payable	-	12,325	12,325
Advances From Others and Deferred Revenue	(283,036)	(7,291)	(290,327)
Other Liabilities			
Accrued Grant Liabilities	-	2,572,056	2,572,056
Other	177,156	16,157	193,313
Financing Sources			
Imputed Costs	(866,155)	-	(866,155)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(1,801,636)**	**1,373,223**	**(428,413)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	199,626	2,390,527	2,590,153
Acquisition of Inventory	-	51,992	51,992
Effect of Prior Year Credit Reform Subsidy Re-estimates	(795,272)	-	(795,272)
Financing Sources			
Donated Revenue	-	(901)	(901)
Transfers Out (In) Without Reimbursements	(304,901)	-	(304,901)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	**(900,547)**	**2,441,618**	**1,541,071**
Miscellaneous Items			
FCRA Net Cost Impact	(531,937)	538,275	6,338
Custodial/Non-exchange Revenue	2,583	(79,048)	(76,465)
Custodial/Exchange Revenue	138,635	(376,587)	(237,952)
Non-Entity Activity	345,901	-	345,901
Appropriated Receipts for Trust/Special Funds	270,463	-	270,463
Total Other Reconciling Items	**225,645**	**82,640**	**308,285**
Total Net Outlays	**$ 409,522**	**$ 109,073,019**	**$ 109,482,541**
Outlays, Net (SBR 4190)			110,914,296
Distributed Offsetting Receipts (SBR 4200)			(1,431,755)
Budgetary Agency Outlays, Net (SBR 4210)			**$ 109,482,541**

NOTE 24. FIDUCIARY ACTIVITIES

The Title XI Escrow Fund was authorized pursuant to the Merchant Marine Act of 1936, as amended. The fund was originally established to hold guaranteed loan proceeds pending construction of MARAD-approved and financed vessels.

The act allows the deposit of additional cash security items such as reserve funds or debt reserve funds. Individual shipowners provide funds to serve as security on MARAD-guaranteed loans. Funds deposited and invested by MARAD remain the property of individual shipowners. In the event of default, MARAD will use the escrow funds to offset the shipowners' debt to the Government.

Fund investments are limited to U.S. Government securities purchased by MARAD through the Treasury.

SCHEDULE OF FIDUCIARY ACTIVITY

For the years ended September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
Fiduciary Net Assets, Beginning of Year	$ 1,173	$ 2,457
Contributions	1,076	1,213
Investment Earnings	784	(1,018)
Disbursements to and on Behalf of Beneficiaries	(866)	(1,479)
Increases/(Decreases) in Fiduciary Net Assets	994	(1,284)
Fiduciary Net Assets, End of Year	**$ 2,167**	**$ 1,173**

FIDUCIARY NET ASSETS

As of September 30, 2024 and 2023

DOLLARS IN THOUSANDS	2024	2023
Fiduciary Fund Balance with Treasury	$ 1,299	$ 1,088
Investments in Treasury Securities	868	85
Total Fiduciary Net Assets	**$ 2,167**	**$ 1,173**

NOTE 25. DISCLOSURE ENTITIES

Amtrak is a private, for-profit corporation under 49 U.S.C. § 24301 and District of Columbia law and is not a department, agency, or instrumentality of the Federal Government. Amtrak is governed by an independent Board of Directors comprised of 10 directors. The Secretary of Transportation (Secretary), who is a director by statute, and 8 of the other Amtrak directors, are appointed by the U.S. President with the advice and consent of the Senate. The President of Amtrak also is a board member and is appointed by the Board. Amtrak provides intercity passenger railroad service as a transportation alternative to highway, bus, passenger car, and airline services in certain markets, in addition to serving as a contractor in various capacities for several commuter rail agencies. Amtrak's mission is to deliver intercity transportation with superior safety, customer service and financial excellence, which is directly tied to the statutorily defined mission of Amtrak "to provide efficient and effective intercity passenger rail mobility consisting of high quality service that is trip-time competitive with other intercity travel options and that is consistent with the goals set forth in [49 U.S.C. § 24101(c)]." 49 U.S.C. § 24101(b). As a private, for-profit organization, Amtrak does not take actions on behalf of the Federal Government but benefits the national economy by providing a transportation option in 46 states and the District of Columbia. Key financial indicators are revenue growth and targeted decrease in adjusted operating earnings, which are reviewed on a regular basis (monthly/quarterly/annually) and compared with the comparable period in the prior year to show trends. Amtrak publishes annual audited financial statements and monthly unaudited performance reports. These documents are available on Amtrak's website.

The Federal Government (through the Department of Transportation) owns 100% of Amtrak's preferred stock (109,396,994 shares of $100 par value). The Amtrak Reform and Accountability Act of 1997 changed the structure of the preferred stock by rescinding the voting rights with respect to the election of the Board of Directors and by eliminating the preferred stock's liquidation preference over the common stock (see Section 415(c), P.L. 105-134, 111 Stat. 2590 (December 2, 1997)). The Act also eliminated further issuance of preferred stock to the Department. Each share of preferred stock is convertible into 10 shares of common stock. Four common

NOTE 25. DISCLOSURE ENTITIES *(CONT.)*

stockholders (private sector corporations) own 9,385,694 shares of $10 par value common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events."[1] Although Section 4.02(g) of the Amtrak Articles of Incorporation allow for the conversion of preferred stock to common stock, the government would not convert its holdings without Congressional authorization. Section 4.02(g) of the Amtrak Articles of Incorporation does not limit the timing of conversion, or require any preapprovals. Conversion is effective the business day following receipt of written notice of the holder's election to convert. The Department does not recognize the Amtrak preferred stock in its financial statements because, under the Corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears. In addition to the purchase/ownership of the Amtrak preferred stock, the Department has provided funding to Amtrak, since 1972, primarily through grants and loans.

Amtrak receives grants from DOT, through the FRA, that cover a portion of the corporation's annual operating expenses and capital investments. Funding provided to Amtrak through grant agreements are included in DOT's annual budget and the DOT financial statements. For the period ended September 30, 2024, net costs related to Amtrak grants were $3.7 billion, total budgetary outlays were $3.2 billion, and the remaining undelivered order balance for Amtrak is $13.6 billion. For the period ended September 30, 2023, net costs related to Amtrak grants were $2.9 billion, total budgetary outlays were $3.2 billion, and the remaining undelivered order balance for Amtrak was $10.2 billion.

In 2016, DOT entered into a loan agreement with Amtrak under the Railroad Rehabilitation and Improvement Financing (RRIF) program (2016 RRIF loan). The amount of the loan is $2.45 billion. The final maturity of the loan is the earlier of (a) twenty-nine (29) years from the date of the first disbursement under the financing agreement and (b) September 15, 2045. The interest rate is 2.23% and the credit risk premium, payable pro rata at each disbursement, is 5.80% or $142.1 million. Amtrak is required to maintain funds in a dedicated debt service reserve account at amounts specified in the loan agreement. The loan shall be disbursed solely to pay directly for or to reimburse Amtrak for its prior payment of allowable costs incurred in connection with project elements.

In each fiscal year for which Amtrak draws down funds under its 2016 RRIF loan and/or makes repayments towards the loan, the Department records amounts paid out to Amtrak and amounts Amtrak repays to the Department in its financial system. The RRIF loan is accounted for in accordance with SFFAS 2 (see Note 6). As of September 30, 2024, the undelivered order balance of the RRIF loan is $1.32 billion. There were a disbursement of $165.3 million as of September 30, 2024. As of September 30, 2023, the undelivered order balance of the RRIF loan is $1.49 billion. There was a disbursement of $402.4 million as of September 30, 2023.

In addition, to the grants and loans provided to Amtrak, the Department has possession of two long-term notes with Amtrak. The first note is for $4 billion and matures in 2975 and, the second note is for $1.1 billion and matures in 2082 with renewable 99-year terms. Interest is not accruing on these notes as long as the current financial structure of Amtrak remains unchanged. If the financial structure of Amtrak changes, both principal and accrued interest are due and payable. The Department does not recognize the long-term notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms and Amtrak's history of operating losses.

In the event of an Amtrak bankruptcy, the Federal Government would be at risk of financial loss as a result of longstanding debt and the 2016 RRIF loan. However, such risk of loss is limited given that each of these debts is secured with real property and/or equipment. In general, the Federal Government's losses in a bankruptcy would be offset by the value of the collateral. The risk of loss and delay in full and timely payments due to bankruptcy are part of most credit relationships, and are not unique to the Federal Government/ Amtrak credit relationship.

1 *Amtrak Office of Inspector General, Governannce: Quality Control Review of the Independent Audit of Amtrak's Consolidated Financial Statements for Fiscal Year Ended 2016 21 (2017)*

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINACIAL REPORT (FR) COMPILATION PROCESS

To prepare the FR, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows the DOT financial statements and the DOT reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2023 Financial Report can be found on the Bureau of the Fiscal Service Reports, Statements & Publications website and a copy of the 2024 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to the amounts that result from other components of the Federal Government. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

FY 2024 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2024 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
							Non-Federal Costs
Gross Costs	119,878,068	$ 85,900,021	$ -	$ 28,409,760	$ -	$ 114,309,781	Non-Federal Gross Cost
		85,900,021	-	28,409,760	-	114,309,781	*Total Non-Federal Costs*
							Intragovernmental Costs
		2,320,945	-	229,835	-	2,550,780	Benefit Program Costs
		995,355	-	103,542	-	1,098,897	Imputed Costs
		1,155,709	(14,287)	216,569	(705,333)	652,658	Buy/Sell Costs
		65,749	(5,727)	10,173	(42,567)	27,628	Purchase of Assets
		39	-	695,156	-	695,195	Borrowing and Other Interest Expense
		508,091	-	62,666	-	570,757	Other Expenses (w/o Reciprocals)
		(65,749)	5,727	(10,173)	42,567	(27,628)	Purchase of Assets Offset
		4,980,139	(14,287)	1,307,768	(705,333)	5,568,287	*Total Intragovernmental Costs*

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORT (FR) COMPILATION PROCESS *(CONT.)*

FY 2024 U.S. DOT STATEMENT OF NET COST		LINE ITEMS USED TO PREPARE FY 2024 GOVERNMENT-WIDE STATEMENT OF NET COST					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Total Gross Costs	119,878,068	90,880,160	(14,287)	29,717,528	(705,333)	119,878,068	**Total Reclassified Gross Costs**
Earned Revenue	3,186,850	468,252	-	707,372	-	1,175,624	Non-Federal Earned Revenue
							Intragovernmental Revenue
		486,609	(14,287)	2,030,675	(705,333)	1,797,664	Buy/Sell Revenue
		117,612	-	-	-	117,612	Federal Securities Interest Revenue Including Associated Gains/Losses (Exchange)
		35	-	95,915	-	95,950	Borrowing and Other Interest Revenue
		604,256	(14,287)	2,126,590	(705,333)	2,011,226	*Total Intragovernmental Earned Revenue*
Total Earned Revenue	3,186,850	1,072,508	(14,287)	2,833,962	(705,333)	3,186,850	**Total Reclassified Earned Revenue**
Net Cost of Operations	**$ 116,691,218**	**$ 89,807,652**	**$ -**	**$ 26,883,566**	**$ -**	**$ 116,691,218**	**Net Cost of Operations**
Exchange Statement of Custodial Activity							
Exchange Custodial Collections from Note on Custodial Collections	360,637	-	-	360,618	-	360,618	Non-Federal Earned Revenue
		-	-	19	-	19	Buy/Sell Revenue (Federal)
Total Exchange Custodial Collections	360,637	-	-	360,637	-	360,637	*Total Reclassified Exchange Custodial Collections*
Disposition of Exchange Custodial Collections from Note on Custodial Collections	(360,637)	-	-	(360,637)	-	(360,637)	Reclassified Disposition of Custodial Collections

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORT (FR) COMPILATION PROCESS *(CONT.)*

FY 2024 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2024 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPROPRIATIONS							
Unexpended Appropriations, Beginning Balance	$ 131,881,606	$ 1,165,492	$ -	$ 130,716,114	$ -	$ 131,881,606	Net Position, Beginning of Period
Appropriations Received	50,032,290	636,477	-	49,395,813	-	50,032,290	Appropriations Received as Adjusted
Appropriations Transferred In/(Out)	(16,581)	1,830	-	11,701	-	13,531	Non-Expenditure Transfers-in of Unexpended Appropriations
		-	-	(30,112)		(30,112)	Non-Expenditure Transfers-out of Unexpended Appropriations
Total Appropriations Transferred In/(Out)	(16,581)	1,830	-	(18,411)	-	(16,581)	*Total Reclassified Appropriations Transferred In/Out*
Other Adjustments	(786,216)	(29,247)	-	(756,969)	-	(786,216)	Appropriations Received as Adjusted
Appropriations Used	(28,557,967)	(854,485)	-	(27,703,482)	-	(28,557,967)	Appropriations Used (Federal)
Total Unexpended Appropriations: Ending	**$ 152,553,132**	**$ 920,067**	**$ -**	**$ 151,633,065**	**$ -**	**$ 152,553,132**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results, Beginning Balance	145,041,837	134,434,955	-	10,606,882	-	145,041,837	Net Position, Beginning of Period
Changes in Accouting Principles	(8,178)	(36,198)		28,020		(8,178)	Changes in Accounting Principles*
Beginning Balance, as adjusted	145,033,659	134,398,757	-	10,634,902	-	145,033,659	Total Reclassified Beginning Balance, as adjusted
Other Adjustments	(185)	-	-	(185)	-	(185)	Revenue and Other Financing Sources - Cancellations
Appropriations Used	28,557,967	854,485	-	27,703,482	-	28,557,967	Appropriation Expended (Federal)

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORT (FR) COMPILATION PROCESS *(CONT.)*

FY 2024 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2024 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Non-Exchange Revenue	67,419,983						***Non-Federal Non-Exchange Revenues***
		52,100	-	1,716	-	53,816	Other Taxes and Receipts
		52,100	-	1,716	-	53,816	***Total Non-Federal Non-Exchange Revenues***
							Federal Non-Exchange Revenue
		6,556,325	-	-	-	6,556,325	Federal Securities Interest Revenue
		6,226		-		6,226	Borrowings and Other Interest Revenue
		16,824				16,824	Collections Transferred to a Treasury Account Symbol (TAS) Other Than the General Fund of the U.S. Government
		4,440	-	-	-	4,440	Accrual for Entity Amounts to be Collected in a TAS Other Than the General Fund
		60,782,352	-	-	-	60,782,352	Other Taxes and Receipts
		67,366,167	-	-	-	67,366,167	***Total Federal Non-Exchange Revenue***
Total Non-Exchange Revenue	67,419,983	67,418,267	-	1,716	-	67,419,983	*Total Reclassified Non-Exchange Revenues*
Donations and Forfeitures of Cash/Cash Equivalents	957	957	-	-	-	957	Donations and Forfeitures of Cash/Cash Equivalents
Transfers-In/(Out) Without Reimbursement	(263,984)	113,267,935	(111,782,842)	2,194,898	(3,584,277)	95,714	Transfers-In w/o Reimbursement
		(114,246,760)	111,782,842	(1,480,057)	3,584,277	(359,698)	Transfers-Out w/o Reimbursement
		(978,825)	-	714,841	-	(263,984)	*Total Reclassified Transfers-In/Out w/o Reimbursement*
Donations and Forfeitures of Property	65,536	-	-	65,536	-	65,536	Donations and Foreitures of Property

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORT (FR) COMPILATION PROCESS *(CONT.)*

FY 2024 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2024 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Imputed Financing	1,098,897	995,355	-	103,542	-	1,098,897	Imputed Financing Sources (Federal)
Other	(304,086)			149,703		149,703	Other non-budgetary financing sources for debt accruals/ amortization
				(356,137)		(356,137)	Non-Entity Collections Transferred to the General Fund
		-	-	(100,144)	-	(100,144)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
		(250,575)	-	250,575	-	-	Borrowings and Other Interest Revenue (Non-exchange)
		2,492		-	-	2,492	Other Taxes and Receipts
Total Other	(304,086)	(248,083)	-	(56,003)	-	(304,086)	*Total Reclassified Other*
Net Cost of Operations	**116,691,218**	**89,807,652**	**-**	**26,883,566**	**-**	**116,691,218**	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	**124,917,526**	**112,633,261**	**-**	**12,284,265**	**-**	**124,917,526**	**Net Position – Ending Balance**
Total Net Position	**$277,470,658**	**$113,553,328**	**$-**	**$163,917,330**	**$-**	**$277,470,658**	**Total Net Position**
Non-Exchange Statement of Custodial Activity							
Non-Exchange Custodial Collections from the Note on Custodial Activity	209,879	-	-	209,879	-	209,879	Other Taxes and Receipts

NOTE 26. RECLASSIFICATION OF STATEMENT OF NET COST AND STATEMENT OF CHANGES IN NET POSITION FOR FINANCIAL REPORT (FR) COMPILATION PROCESS *(CONT.)*

FY 2024 U.S. DOT STATEMENT OF CHANGES IN NET POSITION		LINE ITEMS USED TO PREPARE FY 2024 GOVERNMENT-WIDE STATEMENT OF CHANGES IN NET POSITION					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other Than Dedicated Collections Amounts (With Eliminations)**	**Eliminations Between Dedicated Collections and Other Than Dedicated Collections**	**Total**	**Reclassified Financial Statement Line**
Disposition of Non-Exchange Custodial Collections from the Note on Custodial Activity	(209,879)	-	-	(59,013)	-	(59,013)	Non-Entity Custodial Collections Transferred to the General Fund
				(16,824)		(16,824)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
				(4,440)		(4,440)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	-	(129,602)	-	(129,602)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
"Total Disposition of Non-Exchange Custodial Collections"	(209,879)	-	-	(209,879)	-	(209,879)	*Total Reclassified Disposition of Non-Exchange Custodial Collections*

Required Supplementary Information

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED)

For the period ended September 30, 2024

DOLLARS IN THOUSANDS			Cost To Return To Acceptable Condition	
DOT Entity	**Major Class of Asset**	**Description**	**Beginning Balance**	**Ending Balance**
FAA	Staffed Facilities	Buildings, structures, and facilities at major and nonmajor airports	$ 1,114,523	$ 1,253,943
	Unstaffed Faculties	Long range radars; unstaffed infrastructure and fuel storage tanks	1,435,319	1,873,057
MARAD	Vessels	Ready Reserve Force ships and vessels at various locations	29,871	37,678
	Buildings	Real property structure—U.S. Merchant Marine Academy	316,210	311,791
		Total	**$ 2,895,923**	**$ 3,476,469**

DM&R are maintenance and repairs that were not performed when they should have been or were scheduled to be performed and delayed until a future period. Maintenance and repairs are the act of keeping fixed assets in acceptable condition, and they include preventative maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve assets in a condition to provide acceptable service and to achieve expected useful lives.

DOT's reporting of DM&R includes the OAs of FAA and MARAD, which include facilities critical to our Nation's airspace and maritime operations.

The FAA deferred maintenance includes facilities that must be maintained at 90 to 95 percent of prescribed levels to be considered in fair condition or better. DM&R are estimated using condition assessment surveys to establish Facilities Condition Index scores and lifecycle short forecasts. The estimates include FAA's buildings, structures and facilities both staffed and unstaffed. The staffed facilities that directly support air traffic control operations are assessed for DM&R and lifecycle costs on a rotating basis by a qualified engineering firm. DM&R for unstaffed infrastructure facilities is determined by facility surveys.

DM&R estimates for the FAA long-range radar facilities supporting critical airspace system facilities were computed through actual onsite facility assessments based on the Plant (facility) Replacement Value as estimated by the long-range radar planning and requirements specialist located in FAA's service centers. DM&R calculations for fuel storage tanks are determined based on the age of the structure. Additionally, FAA revised the methodology for computing the deferred maintenance for unstaffed infrastructure in FY 2017. FAA now maintains an itemized database that contains all active capital assets along with their associated lifecycles and replacement costs. The current computation is based upon asset lifecycles instead of the previous estimate methodology which was based upon a 2008 engineering assessment and annual sustainment requirements.

The DM&R at MARAD includes Ready Reserve Force (RRF) vessels at various locations, National Defense Reserve Fleet (NDRF) and facilities, and the USMMA. MARAD maintains RRF vessels in accordance with their assigned readiness status and current condition status. The current condition status is a function of required repairs of deficiencies and their impact on the ability to activate and operate a vessel in accordance with the readiness status. MARAD ship managers prioritize preventive maintenance actions, repair, and upgrade actions in accordance with the activities' impact to readiness. Exclusions were made for environmental initiatives work not normally considered maintenance because these represent enhancements for energy savings impacting the environment or other environmental impacts.

In 2012, USMMA developed a Building Evaluation Report. In 2022 USMMA requested a re-evaluation of the 2012 report to assist with long term planning and budgeting. The reassessment report updated the deferred maintenance and repairs information and the change in beginning balance reflected a more accurate and up to date data.

NDRF and fleet facilities are required to maintain updated facility condition assessment documentation and fleet craft servicing plans to ensure facilities are maintaining acceptable operational and infrastructural conditions for mission accomplishment. In support of this, appropriate planning and budgeting is performed throughout the year. Priorities are assigned based upon annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. The NDRF fleets and facilities acceptable condition is determined by the fleet organization's ability to accomplish the fleet mission, meet all fleet policy objectives, and comply with annual budget guidance. MARAD Resource Management Board has concluded that it has sufficient resources to fund requirements necessary to maintain NDRF and fleet facilities in acceptable condition. Projects that would improve fleet conditions beyond just acceptable

DEFERRED MAINTENANCE AND REPAIR (UNAUDITED) *(CONT.)*

conditions remain in budget submissions mainly for visibility purposes and to support future decisions if critical factors change and the improvements themselves become mission critical. This change resulted in zero DM&R costs for NDRF and fleet facilities.

The Computerized Maintenance Management System, or CMMS, is primarily used to track maintenance and repairs on the USMMA property and equipment and generating preventative maintenance schedules on a predetermined period. DM&R activities are prioritized based on life and safety concerns as determined by the USMMA Department of Public Works management and USMMA environmental department. Acceptable condition standards must meet the established maintenance standards and operate efficiently under normal life expectancy. Scheduled maintenance is sufficient to maintain the current condition or meet the minimum standards while requiring additional maintenance or repair to prevent further deterioration, increase operating efficiency, and to achieve normal life expectancy.

The USMMA has initiated a new CMMS to replace the original system that was implemented in 2015. MARAD expects the system to be fully implemented in FY 2024. This new system is being implemented in conjunction with the Campus-Wide-Maintenance contract and will expedite and improve the responsiveness of maintenance. It will improve the collection of data and allow for trend analysis. It will also allow for better preventive maintenance of existing infrastructure and improve the campus quality of life.

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED)

For the period ended September 30, 2024

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year	$ 25,295,395	$ 12,481,305	$ 31,132,611	$ 2,628,748	$ 59,500,539	$ 131,038,598
Budget Authority, Net						
Appropriations (Note 1W)	12	21,734,245	6,864,744	1,472,518	36,916,491	66,988,010
Borrowing Authority	-	-	-	3,745	5,238,522	5,242,267
Contract Authority	59,203,897	3,350,000	15,426,062	-	2,058,502	80,038,461
Spending Authority From Offsetting Collections	186,879	13,072,538	(2,089)	1,122,553	1,499,293	15,879,174
Total Budgetary Resources	**$ 84,686,183**	**$ 50,638,088**	**$ 53,421,328**	**$ 5,227,564**	**$ 105,213,347**	**$ 299,186,510**
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	$ 57,996,185	$ 36,877,976	$ 21,572,891	$ 2,599,470	$ 39,259,597	$ 158,306,119
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	3,286,618	11,070,927	31,817,214	2,446,993	64,621,391	113,243,143
Unapportioned, Unexpired Accounts	23,403,380	2,514,800	4,219	165,681	1,033,986	27,122,066
Unexpired Unobligated Balance, End of Year	26,689,998	13,585,727	31,821,433	2,612,674	65,655,377	140,365,209
Expired Unobligated Balance, End of Year	-	174,385	27,004	15,420	298,373	515,182
Unobligated Balance, End of Year	26,689,998	13,760,112	31,848,437	2,628,094	65,953,750	140,880,391
Total Budgetary Resources	**$ 84,686,183**	**$ 50,638,088**	**$ 53,421,328**	**$ 5,227,564**	**$ 105,213,347**	**$ 299,186,510**
OUTLAYS, NET						
Outlays, Net	$ 53,665,889	$ 23,096,402	$ 23,414,675	$ 1,022,069	$ 18,481,302	$ 119,680,337
Distributed Offsetting Receipts	(12)	(13,263)	(13,878)	(151,273)	(2,149,907)	(2,328,333)
Agency Outlays, Net	**$ 53,665,877**	**$ 23,083,139**	**$ 23,400,797**	**$ 870,796**	**$ 16,331,395**	**$ 117,352,004**
Disbursements, Net				**$ 49,389**	**$ 134,808**	**$ 184,197**

COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT (UNAUDITED) *(CONT.)*

For the period ended September 30, 2023

DOLLARS IN THOUSANDS	Federal-Aid	FAA	FTA	MARAD	All Other	Total
BUDGETARY RESOURCES						
Unobligated Balance From Prior Year	$24,412,720	$ 11,387,866	$ 28,643,764	$ 2,198,244	$ 44,833,814	$ 111,476,408
Budget Authority, Net						
Appropriations (Note 1W)	-	20,624,528	7,798,100	1,487,082	35,296,885	65,206,595
Borrowing Authority	-	-	-	8,069	1,741,901	1,749,970
Contract Authority	57,945,312	3,350,000	15,012,445	-	2,003,501	78,311,258
Spending Authority From Offsetting Collections	325,402	10,998,101	3,585	1,089,209	1,003,739	13,420,036
Total Budgetary Resources	**$ 82,683,434**	**$ 46,360,495**	**$ 51,457,894**	**$ 4,782,604**	**$ 84,879,840**	**$ 270,164,267**
STATUS OF BUDGETARY RESOURCES						
New Obligations and Upward Adjustments	$ 56,690,911	$ 34,306,978	$ 22,017,329	$ 2,178,765	$ 25,913,634	$ 141,107,617
Unobligated Balance, End of Year						
Apportioned, Unexpired Accounts	4,646,437	9,444,480	29,004,382	2,280,260	58,289,399	103,664,958
Unapportioned, Unexpired Accounts	21,346,086	2,420,929	431,672	313,537	421,834	24,934,058
Unexpired Unobligated Balance, End of Year	25,992,523	11,865,409	29,436,054	2,593,797	58,711,233	128,599,016
Expired Unobligated Balance, End of Year	-	188,108	4,511	10,042	254,973	457,634
Unobligated Balance, End of Year	25,992,523	12,053,517	29,440,565	2,603,839	58,966,206	129,056,650
Total Budgetary Resources	**$ 82,683,434**	**$ 46,360,495**	**$ 51,457,894**	**$ 4,782,604**	**$ 84,879,840**	**$ 270,164,267**
OUTLAYS, NET						
Outlays, Net	$ 48,088,283	$ 23,824,106	$ 23,597,692	$ 1,049,235	$ 14,354,980	$ 110,914,296
Distributed Offsetting Receipts	-	(17,685)	(8,317)	(14,085)	(1,391,668)	(1,431,755)
Agency Outlays, Net	**$ 48,088,283**	**$ 23,806,421**	**$ 23,589,375**	**$ 1,035,150**	**$ 12,963,312**	**$109,482,541**
Disbursements, Net				**$ (150,942)**	**$ 6,481,777**	**$ 6,330,835**

Marine War Risk Insurance Program (Unaudited)

For FY 2024 and FY 2023, MARAD covered nonpremium war risk insurance with a total coverage per year of $441 and $279 million, respectively for DoD controlled vessels. The DoD indemnifies MARAD for any losses arising out of the nonpremium insurance. There have been no losses and no claims are outstanding for this nonpremium insurance. There is approximately $55 million in the Marine War Risk Insurance fund to reimburse operators that may be covered by premium insurance in future periods for national economic security and foreign policy purposes. For FY 2024 and FY 2023, there were no outstanding policies or obligations for the premium based war risk insurance program.

LAND (UNAUDITED)

PPE Land and Stewardship Land Estimated Acreage by Predominant Use

FY 2024	Commercial	Conservation and Preservation	Operational	Total Estimated Acreage
PPE LAND AND LAND RIGHTS				
Start of Prior Year (October 1, 2022)	11,802	-	101,874	112,705
End of Prior Year/Start of Current Year (October 1, 2023)	11,802	-	98,672	109,903
End of Current Period/Year (September 30, 2024)	11,802	-	101,094	112,325
STEWARDSHIP LAND AND AND LAND RIGHTS				
Start of Prior Year (October 1, 2022)	-	20	44	64
End of Prior Year/Start of Current Year (October 1, 2023)	-	20	44	64
End of Current Period/Year (September 30, 2024)	-	20	44	64
PPE LAND HELD FOR DISPOSAL OR EXCHANGE (also included in the balances above)				
Start of Prior Year (October 1, 2022)	-	-	971	971
End of Prior Year/Start of Current Year (October 1, 2023)	-	-	571	571
End of Current Period/Year (September 30, 2024)	-	-	571	571

The FAA has 80,029 acres of PPE land of which 11,802 is for commercial use and 68,227 is used for operational. FAA also has 571 acres of operational use PPE land held for disposal. The FAA acquires land and permanent land rights when there is an operational requirement in support of the FAA's mission, to provide the safest most efficient aerospace system in the world. This includes land to provide space for FAA facilities and equipment, such as navigational aids and communication systems that are location specific, meaning there is nowhere else the equipment can be placed that will provide the service required. Permanent land rights include utility and access easements.

On June 7, 1987, Washington Dulles International and Washington National Airports were transferred to the Metropolitan Washington Airports Authority under a 50-year lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of P.L. 99-500. All property was transferred to the Metropolitan Washington Airports Authority, and the Federal government holds title to the lease. In 2003, the Secretary of Transportation approved a 30-year extension of the lease agreement. This land is therefore categorized as commercial use land.

To acquire land, the FAA must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, also known as the Uniform Relocation Act (URA). Provisions of the URA are mandatory and provide minimum real property acquisition policies for appraisal, negotiation, and property possession standards and requirements. 49 CFR 24, Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs, promulgates rules to implement the Uniform Relocation Act.

It is policy of the FAA to purchase real property interests that are in the best interest of the FAA and at fair and reasonable prices. A lease versus purchase analysis must be completed for all prospective real property land acquisitions. All lease versus purchase analyses must take into consideration the anticipated term to satisfy the FAA's needs. The lease versus purchase analysis is used to determine the most cost-effective acquisition strategy.

It is also FAA policy to identify and evaluate environmental conditions prior to the acquisition or disposal of land to inform decision-making and minimize potential environmental liabilities.

FRA has 32,772 acres of operational use PPE land and land rights. FRA's Transportation Technology Center (TTC) near Pueblo, Colorado, is 50 square miles. The land supports Research and Development (R&D) and training for FRA. The TTC mission is "to maintain state-of-the-art research and test capabilities to support DOT and other governmental and private entities in problem solving, personnel training, product evaluation and the support of research and development of new emerging technologies to improve the safety, security, efficiency and environmental impact of transportation."

FRA has a contract with a private contractor to operate the TTC, including the ability to order R&D and training services from the Contractor.

LAND (UNAUDITED) *(CONT.)*

FRA has lease rights. Beginning in 1970, FRA entered into a 150 year lease with State of Colorado, comprised of a 50 year base period and two 50 year options. The consideration to Colorado was $10. FRA has exercised the first of the two options. As a result, the current lease expiration date extends to 2070, with one 50 year option period remaining.

FRA has 20 acres of stewardship land held for conservation and preservation use. FRA's WUS is a heritage asset. In the 1981 Union Station Redevelopment Act, Congress directed the Secretary of Transportation, acting through FRA, to redevelop and rehabilitate WUS. The 1981 Act included the following goal: "(d) Withdrawal by the Federal Government from any active role in the operation and management of the Union Station complex as soon as practical and at the least possible Federal expense consistent with the goals set forth in subsections (a) through (c) of this section."

FRA has 99-year lease with Union Station Redevelopment Corporation, a private Washington D.C. non-profit corporation. The lease expires in 2084. The lease contains the terms and policies for the WUS. FRA acquired fee simple ownership of the WUS complex in 1988.

MARAD has 139 acres of operational use PPE land and Sterwardship land, of which 95 acres is PPE land and 44 acres is Stewardship land. The USMMA is located and operated on Federally owed land since 1942 and resides on 82 acres of land of which 44 acres of the land has 35 buildings and the William S. Barstow house residing on the land. The 35 buildings that encircle the central quadrangle of the USMMA and the William S. Barstow house are heritage assets. The Barstow house is the site of the American Merchant Marine Museum. 46 CFR 386 governs the management of buildings and grounds of USMMA.

MARAD purchased a private parcel of land within the boundary of the USMMA Campus May 26, 2021. The purchase of the property put the parcel of land under Federal control and enhances USMMA security prosture by eliminating private residence within the campus boundary.

MARAD acquired the Enterprise lease that was executed December 30, 2002. The structures that reside on this lease are owned by MARAD and were erected at the beginning of the lease term. These structures are owned but are located on leased land. The Secretary's authority under 46 U.S.C. § 50303 provides that the Secretary has the authority "to operate or lease docks, wharves, piers, vessels, or real property under the Secretary's control, except that the prior consent of the Secretary of Defense for such use shall be required with respect to any vessel in the Ready Reserve Force or in the NDRF which is maintained in a retention status for the Department of Defense." MARAD owns and operates PPE land in support of the NDRF.

OTHER INFORMATION

Other Information

Summary of Financial Statement Audit and Management Assurances

Table 1. Summary of Financial Statement Audit

Audit Opinion: Unmodified

Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None Noted	0	0	0	0	0	0
Total	0	0	0	0	0	0

Table 2. Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (Federal Managers Financial Integrity Act of 1982 (FMFIA), Section 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None Noted	0	0	0	0	0	0
Total	0	0	0	0	0	0

Effectiveness of Internal Control Over Operations (FMFIA, Section 2)

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None Noted	0	0	0	0	0	0
Total	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA, Section 4)

Statement of Assurance: Systems Comply

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None Noted	0	0	0	0	0	0
Total	0	0	0	0	0	0

Conformance with Federal Financial Management Improvement Act of 1996 (FFMIA)

Category	Agency	Auditor
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. U.S. Standard General Ledger (USSGL) at Transaction Level	No lack of compliance noted	No lack of compliance noted

Non-Federal Physical Property Annual Stewardship Information Transportation Investments (UNAUDITED)

SURFACE TRANSPORTATION

For the periods ended September 30 (dollars in thousands)

Federal Highway Administration (FHWA)	2020	2021	2022	2023	2024
Federal Aid Highways (HTF)	$ 46,801,719	$ 45,965,708	$ 48,864,197	$ 52,276,187	$ 58,973,362
Other Highway Trust Fund Programs	47,151	25,553	24,132	18,284	14,818
General Fund Programs	1,098	5,179	209	(66)	64
Appalachian Development System	34,967	118,317	23,672	45,537	60,021
Federal Motor Carrier	-	-	2,531	3,167	4,412
Total FHWA	**46,884,935**	**46,114,757**	**48,914,741**	**52,343,109**	**59,052,677**

Federal Transit Administration (FTA)	2020	2021	2022	2023	2024
Transit Infrastructure Grants	-	-	345,451	690,115	1,432,683
Formula Grants	14,800	8,568	2,352	361	200
Capital Investment Grants	2,133,871	1,897,603	1,695,054	2,336,793	2,552,815
Washington Metro Area Transit Authority	178,095	130,243	157,238	150,988	101,102
Formula and Bus Grants	9,933,833	7,961,356	7,097,413	9,834,839	13,556,588
Total FTA	**12,260,599**	**9,997,770**	**9,297,508**	**13,013,096**	**17,643,388**
Total Surface Transportation Non-Federal Physical Property Investments	**59,145,534**	**56,112,527**	**58,212,249**	**65,356,205**	**76,696,065**

AIR TRANSPORTATION

For the periods ended September 30 (dollars in thousands)

Federal Aviation Administration (FAA)	2020	2021	2022	2023	2024
Airport Improvement Program	11,300,066	8,056,478	3,784,424	3,820,693	3,981,521
Relief for Airports	-	3,169,500	4,040,373	628,141	64,216
Airport Infrastructure Grants Program	-	-	22,898	384,031	1,016,049
Airport Terminal Program	-	-	9,156	200,455	596,330
Total Air Transportation Non-Federal Physical Property Investments	**11,300,066**	**11,225,978**	**7,856,851**	**5,033,320**	**5,658,116**
Total Non-Federal Physical Property Investments	**$ 70,445,600**	**$ 67,338,505**	**$ 66,069,100**	**$ 70,389,525**	**$ 82,354,181**

FHWA reimburses states for construction costs on projects related to the Federal Highway System of roads. The main programs in which the states participate are the National Highway System (NHS), Interstate Systems, Surface Transportation, and Congestion Mitigation/Air Quality Improvement programs. The states' contribution is 10 percent for the Interstate System and 20 percent for most other programs.

Non-Federal Physical Property Annual Stewardship Information Transportation Investments (UNAUDITED) *(CONT.)*

FTA provides grants to state and local transit authorities and agencies.

Formula Grants provide capital assistance to urban and nonurban areas and may be used for a wide variety of mass transit purposes, including planning, construction of facilities, and purchases of buses and railcars. Funding also includes providing transportation to meet the special needs of elderly individuals and individuals with disabilities.

Capital Investment Grants, which replaced discretionary grants in Fiscal Year (FY) 1999, provide capital assistance to finance acquisition, construction, reconstruction, and improvement of facilities and equipment. Capital Investment Grants fund the categories of new starts, fixed guideway modernization, and bus and bus-related facilities.

FTA provides grants for transit related infrastructure projects under the Transit Infrastructure Grants (TIG) program.

The Washington Metropolitan Area Transit Authority provides funding to support the construction of the Washington Metrorail System.

FAA makes project grants for airport planning and development under the Airport Improvement Program (AIP) to maintain a safe and efficient nationwide system of public-use airports that meet both present and future needs of civil aeronautics. FAA works to improve the infrastructure of the Nation's airports, in cooperation with airport authorities, state and local governments, and metropolitan planning authorities. FAA makes grants to airports under the Relief for Airports program to prevent, prepare for, and respond to coronavirus. In addition, FAA provides grants for airport-related infrastructure projects under the Airport Infrastructure Grants program and provides competitive grants under the Airport Terminal Program for airport terminal development projects that address the aging infrastructure of the nation's airports.

Inspector General's FY 2025 Top Management Challenges

U.S. Department of Transportation
Office of Inspector General

Memorandum

Date: November 4, 2024

Subject: INFORMATION: DOT's Fiscal Year 2025 Top Management Challenges
Project No. PT2025005

From: Eric J. Soskin
Inspector General

To: The Secretary
Deputy Secretary

The U.S. Department of Transportation (DOT) strives to deliver the world's leading transportation system, a mission that is essential to American prosperity, global competitiveness, national security, and general welfare. In fulfilling this mission, the Department must manage complex and multifaceted challenges that span its oversight of aviation, highways, transit, rail, ports, and more. The Office of Inspector General's (OIG) oversight responsibilities are commensurate with the full range of DOT's programs and operations. Our audit and investigative work seeks to promote the interests of the American public in economy, efficiency, and effectiveness; detect and prevent fraud, waste, and abuse; and provide transparency and accountability.

Each year, as required by law, we report on DOT's top management challenges to help the Department meet its strategic priorities across its wide-ranging transportation program areas. We base this report on our audit and investigative work, our knowledge of the activities and operations of DOT and its Operating Administrations, independent sources such as U.S. Government Accountability Office reports, and other information available to us.

We considered several criteria to identify the Department's top management challenges for fiscal year 2025, including safety impact, documented vulnerabilities, large dollar implications, and the Department's ability to effect change. In the enclosed report, we identify and discuss the following challenge areas:

- Aviation Safety
- Surface Transportation Safety
- Aviation Governance and Modernization
- Surface Transportation Infrastructure
- Grant and Contract Fund Stewardship
- Financial Management

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

- Information Security
- Transportation Transformation
- Organizational Excellence

Safety ranks as DOT's highest priority. The Federal Aviation Administration (FAA), for example, is responsible for overseeing production of aircraft and aviation operations in the United States. However, to effectively oversee these operations, FAA is challenged with enhancing its processes for identifying and resolving production issues, while also improving its data analysis capabilities to mitigate close calls between aircraft on runways. Other key tasks for FAA include securing the National Airspace System by ensuring adequate air traffic controller training and staffing, as well as keeping deployment of Next Generation Air Transportation System programs on track. The Department must also work diligently to continue to improve the safety of roads, vehicles, drivers, passengers, and workers, as well as enforce highway, motor carrier, railroad, transit, pipeline, and hazardous materials safety compliance.

In addition, through programs established by the Infrastructure Investment and Jobs Act along with existing funding programs, DOT oversees billions of dollars in surface infrastructure investments supporting roads, bridges, rail, transit, ports, and energy system projects and programs. In these areas, DOT faces challenges evaluating the progress of surface transportation programs, strengthening its oversight of Federal transportation investments, and providing support in managing programs that may impact transportation infrastructure security and resilience.

Further, responsible stewardship over Federal funds directly correlates to DOT's ability to achieve its strategic goals and mission of delivering the world's leading transportation system. As it oversees grants and contracts, DOT faces challenges ensuring compliance with Federal requirements, to include making sound and transparent grant and contract award decisions and confirming funds are distributed to eligible recipients and used as intended. Other challenges include overseeing agency-owned and federally funded properties and equipment, determining the allowability of millions of dollars in questioned costs identified in single audit reports, and addressing internal control weaknesses to safeguard Federal funds.

Alongside its considerable safety and stewardship challenges, DOT also faces longstanding challenges in its cybersecurity program. As the willingness and capability of malicious actors to undertake cyber attacks on government agencies and the Nation's critical infrastructure has increased, DOT's responsibilities for protecting its systems, as well as the sector at large, have increased in importance. A critical step will be addressing vulnerability and configuration management weaknesses that could allow attackers to gain access to mission-critical systems and sensitive data.

Finally, DOT's position as the leading transportation regulator and funder means DOT has an outsized impact on the ability of the American transportation sector to design for the future and meet the challenges of the present. The Department will need to act thoughtfully to strike a balance between safety and innovation and should continue

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

to reference its innovation principles when considering current needs and long-term goals to achieve the best outcomes for national security, American prosperity, and the Nation's workers and industries. Challenges include integrating new technologies, such as autonomous and electric vehicles, commercial space operations, Advanced Air Mobility aircraft, and Unmanned Aircraft Systems, while limiting unintended safety impacts. The Department, however, will face challenges achieving these and other goals if it cannot hire, train, and retain a capable, diverse, and collaborative workforce of highly skilled, innovative, and motivated employees. Thoughtfully managing its workforce by considering work schedule policies that balance work/life priorities with meaningful in-person collaboration, while also reviewing and assessing the Department's facility needs and organizational issues will help DOT address these challenges.

In all these challenge areas, it is prudent that DOT focus on oversight that ensures compliance with Federal requirements and prevents fraud, waste, and abuse. Notably, each year, we receive more than 4,000 hotline complaints and open roughly 150 investigations related to transportation safety, grant and procurement fraud, public interest, or employee integrity. Accordingly, in each chapter we've included examples of investigative work we have undertaken related to that challenge area or other recent events to highlight the impact these instances can have on the Department's ability to achieve its strategic goals.

As always, we will continue to work closely with Department officials to support DOT's efforts to improve safety, enhance efficiency, and maximize resource utilization. We appreciate the Department's consideration and prompt action in response to the challenges we have identified. Our final report and the Department's response will be included in DOT's Annual Financial Report, as required by law.

If you have any questions regarding this report, please contact me or Charles A. Ward, Principal Assistant Inspector General for Auditing and Evaluation.

cc: DOT Audit Liaison, M-1

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Aviation Safety

OAs Impacted
FAA

Related DOT Strategic Goal(s)
Safety

Aviation safety is FAA's primary mission. Effectively overseeing production of aircraft and aviation operations in the United States is vital to fulfilling this goal. However, while FAA carries out numerous oversight activities of Boeing production, the Agency must improve its policy, data collection, and tools to enhance its oversight. As to aviation operations, while FAA deserves credit for making the aviation system one of the safest ways to travel, a series of serious runway incursions in 2023 highlighted a longstanding need for FAA to improve its data analysis capabilities to mitigate these types of close calls.

Strengthen FAA's Ability To Identify and Resolve Boeing Production Issues

- On January 5, 2024, an exit door plug blew out of Alaska Airlines Flight 1282 shortly after the flight departed Portland, OR, renewing attention on FAA's oversight of Boeing aircraft production. Our work has identified that FAA faces challenges in conducting comprehensive oversight of Boeing 737 and 787 aircraft production. Specifically, FAA cannot determine what areas or processes it has audited within Boeing facilities and has not requested manufacturing data from Boeing that could better inform risk assessments. While FAA performed more audits in fiscal years 2021 through 2023 than required by its policy, Boeing production issues persist.
- FAA has not addressed longstanding weaknesses in Boeing's oversight of suppliers, which spans thousands of companies in more than 30 countries. FAA's focus on primary suppliers limits its view of overall parts manufacturing and its ability to assess risk within the supply chain. Additionally, FAA does not require its inspectors to review key inspections to ensure that Boeing and its suppliers' manufacturing processes can produce compliant parts.
- FAA has yet to achieve a proactive approach to oversee Boeing. For example, FAA did not identify deficiencies in Boeing's Safety Management System (SMS) because it did not perform a comprehensive assessment of Boeing's implementation of the system. However, an expert panel established to fulfill a requirement in the Aircraft Certification, Safety, and Accountability Act of 2020 identified 15 findings and made 31 recommendations related to Boeing's SMS and safety culture and FAA's oversight.

Locations of Origin for Boeing 787 Major Components

Source: OIG analysis of Boeing data; locations are approximate

Related Investigative Work

OIG's aviation safety investigations include violations of DOT's safety regulations and statutes, such as counterfeit or substandard aircraft parts, falsified aircraft and aircraft parts maintenance records, and false certifications involving pilot and mechanic licensing and maintenance records. For example:

- An individual allegedly illegally accessed an FAA database to acquire another person's Airframe & Powerplant certificate and then used the certificate to gain employment at an Oklahoma City aircraft repair station. The individual pleaded guilty to computer access fraud and was sentenced in April 2023 to 20 months in prison and 3 years of supervised release.
- An Oregon company allegedly received more than $900,000 from another company and produced at least 23 different types of unapproved aircraft parts. The company pleaded guilty to one count of aircraft parts fraud and was sentenced in July 2023 to 5 years of probation and a forfeiture of more than $900,000 less the value of tools and equipment used to manufacture parts the company forfeited.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Improve Data Analysis and Implement Initiatives To Identify Root Causes, Prevent Aviation Close Calls, and Sustain the Aviation Safety Track Record

- Runway incursions—incidents involving unauthorized aircraft, vehicles, or people on a runway—have long been a challenge for FAA and the aviation industry. Several incidents occurred within the past 2 years in which aircraft came close to each other on runways at large commercial airports, including an incident in April 2024 at Ronald Reagan Washington National Airport. While the number of serious incidents represents a small percentage of the total, they have fluctuated from a low of 12 incidents in fiscal year 2019 to a high of 22 in fiscal year 2023. FAA has reported a total of eight serious incidents in the first three quarters of fiscal year 2024.
- Aviation close calls can occur in the air or on runways. For example, FAA reported it was investigating a July 2024 incident in which two passenger aircraft came within close proximity midair in Syracuse, NY, after air traffic controllers instructed one aircraft to go around because there was an aircraft departing on the same runway.
- FAA has met with industry stakeholders and has conducted outreach to increase safety awareness among controllers, aircraft operators, pilots, and other aviation industry workforces. It is also continuing work on runway and related infrastructure projects.
- Moving forward, additional work remains for the Agency to improve its data sharing between FAA organizations and data analysis to identify root causes of close calls and other safety incidents. Other challenges include installing key surface surveillance technologies at airports and addressing recommendations from an expert panel regarding National Airspace System safety and efficiency enhancements.

Serious Runway Incursions: Fiscal Years 2019 Through 2024

Source: OIG analysis of FAA data

*Serious runway incursions are incidents in which a collision was barely avoided (Category A) or separation decreased and there was a significant potential for collision, which may result in a time critical corrective/evasive response to avoid a collision (Category B).

Recent Progress Reported by the Department

- In April 2024, FAA published its rule requiring production approval holders, such as Boeing, to implement Safety Management Systems.
- In July 2024, FAA announced that it had deployed new surface surveillance technologies at airports in Austin, TX; Nashville, TN; Indianapolis, IN; and Dallas, TX.

Related OIG Work

- FAA's Oversight Processes for Identifying and Resolving Boeing Production Issues Are Not Effective (October 9, 2024)
  >>16 recommendations (16 open 0 closed)
- FAA Has Made Progress in Implementing ASIAS, but Work Remains To Better Predict, Prioritize, and Communicate Safety Risks (March 10, 2021)
  >> 3 recommendations (0 open, 3 closed)
- FAA Faces Challenges in Implementing and Measuring the Effectiveness of Its 2015 Runway Safety Call to Action Initiatives (June 27, 2018)
  >> 3 recommendations (0 open, 3 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

For more information on the issues identified in this chapter, please contact:

Nelda Z. Smith
Assistant Inspector General for Aviation Audits
(202) 366-2140 | Nelda.Z.Smith@oig.dot.gov

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

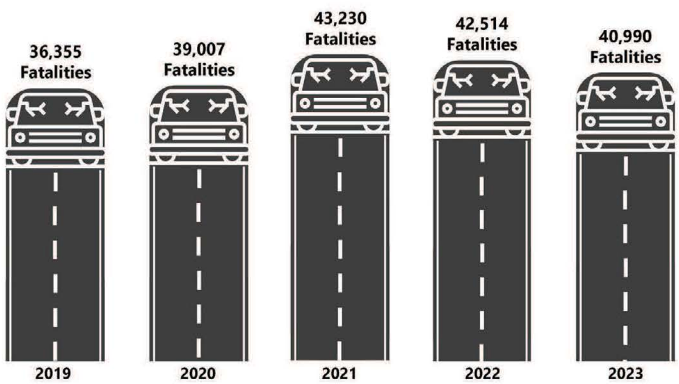
Surface Transportation Safety

OAs Impacted
FHWA, FMCSA, NHTSA, FRA, FTA, OST, PHMSA

Related DOT Strategic Goal(s)
Safety

DOT's mission to make the U.S. transportation system the safest in the world requires continuous dedication and a sharp focus on reducing fatalities in surface transportation. DOT estimates that nearly 41,000 fatalities resulted from traffic crashes in 2023, a 5.2 percent decrease from the high reported in 2021 (see figure). Still, DOT faces challenges regarding the safety of drivers, passengers, and workers, as well as verification and enforcement of vehicle, rail, motor carrier, and pipeline safety compliance.

Trends in Traffic Fatalities, 2019–2023



Source: NHTSA data

Partner With Recipients and the Private Sector To Improve the Safety of Drivers, Passengers, and Workers

- DOT has regulatory and financial tools to shape vehicle and roadway design; however, most actions to improve road and vehicle safety and combat speeding and other high-risk behaviors take place at the State and local level. In addition, vehicle manufacturers and State and local laws currently set the pace for the introduction of autonomous vehicles and their potential to disrupt the stubbornness of current traffic fatality levels. Implementing the National Roadway Safety Strategy (NRSS) and achieving significant progress toward DOT's stated goal of zero fatalities will require encouraging and supporting these partners by stewarding funding and promoting the use of high-quality data.
- To receive Federal transit funding, States must establish safety oversight programs and State Safety Oversight Agencies. FTA must certify these programs—which vary considerably in the size and number of transit systems they oversee—and verify compliance with Federal requirements. We are conducting a congressionally directed audit of FTA's oversight program. In addition, FTA's oversight efforts need to be adequate to assure that transit agency grant recipients balance maintenance activities and safety-critical operations with competing priorities to maintain system safety.

Related Investigative Work

OIG's transportation safety investigations aim to enhance DOT's transportation safety goals and typically involve parties that egregiously violate DOT's safety regulations. These investigations can include allegations of falsified safety inspection and maintenance reports. For example:

- An individual was charged with tampering with pipeline records and provided unsworn falsification to authorities on an interstate natural gas liquid pipeline. The individual pleaded guilty to the unsworn falsifications and was sentenced in Pennsylvania in August 2024 to 1 year of probation.
- An individual created false certificates for under-bridge inspection vehicles, stating that the vehicles had been examined according to Federal requirements. The individual knew the examinations had not taken place. The individual pleaded guilty to making a false statement, was sentenced in Connecticut to a $5,000 fine, and was debarred by FHWA in October 2022 from doing business with the Government for 5 years.

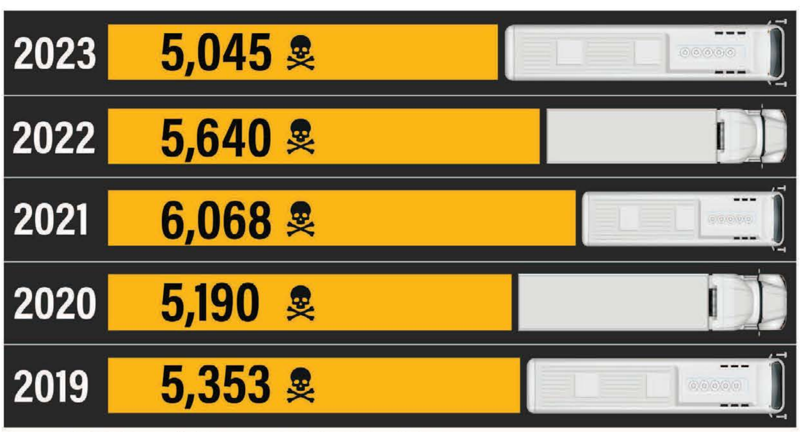
Inspector General's FY 2025 Top Management Challenges *(CONT.)*

- Major assaults on transit workers nearly tripled between 2008 and 2022. Recent DOT actions—including requiring that applicable transit agencies establish transit safety risk reduction programs through Public Transit Agency Safety Plans—are designed to better protect these workers, but FTA will need to assess compliance with these new plan requirements.
- The evolution of controlled substance laws at the State and potentially Federal levels creates new challenges in combating impaired driving, including through the potential for drivers to receive mixed messages about the consequences of controlled substance use. NHTSA and FMCSA must thoughtfully engage with State and industry partners to mitigate such mixed messages and prevent impaired driving.

Enhance Verification and Enforcement of Safety Compliance

- NHTSA has made significant improvements to its defect investigation procedures but will need to maintain these efforts into the future to improve vehicle safety.
- Even as rail use increases, FRA does not have the procedures and accurate data necessary to effectively target limited hours of service oversight resources to highest risk areas and adequately oversee different railroad types. FRA is working to implement multiple OIG recommendations to address these challenges.
- FMCSA has reported over 5,000 large truck and bus fatalities annually since 2019 (see figure). FMCSA faces longstanding challenges to revise and implement its Safety Measurement System and to maintain data quality on motor carriers' safety performance. FMCSA should also complete NRSS priority actions it initiated to increase oversight and enforcement and complete rulemakings.
- PHMSA faces challenges in mitigating safety risks and emissions from aging natural gas distribution pipes, such as monitoring $1 billion in Infrastructure Investment and Jobs Act funds provided for the Natural Gas Distribution Infrastructure Safety and Modernization grant program.

Trends in Large Truck and Bus Fatalities, 2019–2023



Source: FMCSA Quarterly Motor Carrier Safety Status Reports

For more information on the issues identified in this chapter, please contact:

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-1844 | David.Pouliott@oig.dot.gov

Recent Progress Reported by the Department

- In February 2024, DOT published a second NRSS progress report detailing actions taken to reduce roadway fatalities and invited others to join its Call to Action campaign, which currently includes more than 180 stakeholders committed to taking actions to improve roadway safety.
- PHMSA enhanced its pipeline integrated inspection program by updating policies, verifying completed inspection documentation, and updating its risk model with statutorily required risk factors.

Related OIG Work

- FRA Lacks Written Procedures and Formal Planning for Oversight of Railroad Hours of Service Compliance and the Passenger Railroad Fatigue Management Requirements (March 27, 2024)
  >> 19 recommendations (15 open, 4 closed)
- FMCSA Generally Met Requirements for Cross-Border Carriers' Long-Haul Operations, but Compliance Reviews Were Not Timely (August 2, 2023)
  >> 3 recommendations (0 open, 3 closed)
- NHTSA Has Not Fully Established and Applied Its Risk-Based Process for Safety Defect Analysis (May 31, 2023)
  >> 12 recommendations (0 open, 12 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

DOT Top Management Challenges (FY 2025) www.oig.dot.gov | 8

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

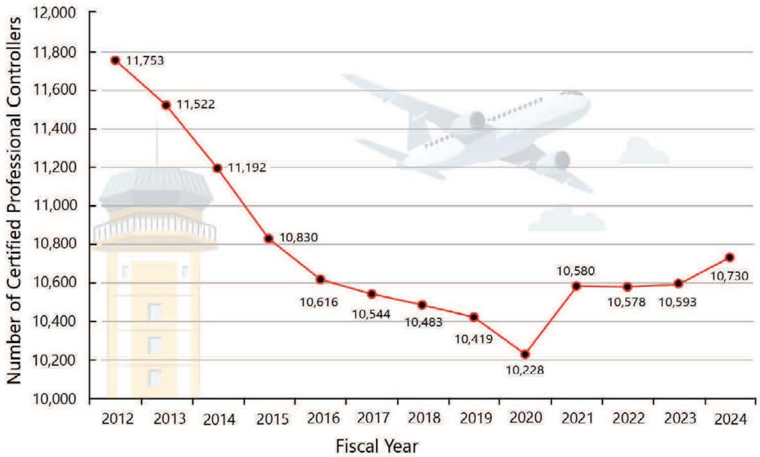
Aviation Governance and Modernization

OAs Impacted
FAA and OST

Related DOT Strategic Goal(s)
Safety, Economic Strength and Global Competitiveness, Climate and Sustainability, Transformation

Even after an estimated $13 billion has been appropriated for Next Generation Air Transportation System (NextGen) programs over nearly two decades, FAA continues to rely on aging legacy systems in its management of the National Airspace System (NAS). These challenges are compounded by difficulties achieving adequate controller training and staffing to maintain safety. Finally, as the agency expands its emphasis on protecting consumers, improving its processes for collecting and analyzing flight delay and cancellation and consumer complaint data will position DOT to better oversee airlines and address customer needs.

Certified Professional Controller Staffing, Fiscal Years 2021–2024



Source: OIG analysis of DOT data

*FY 2024 data as of June. FAA's goal is to certify all controllers, and as of June 2024, the Agency has 2,925 controllers in training. While controllers in training can complement staffing at air traffic control facilities, they are not fully certified and are not able to work all positions.

Refine Air Traffic Controller Staffing, Placement, and Training Practices To Meet Facility Needs and Maintain Safety in an Evolving Operational Environment

- The FAA Reauthorization Act of 2024 mandates FAA assess its needs for air traffic controller instructors and conduct a review of the skills assessment administered to air traffic controller applicants prior to hiring. As we have previously reported, FAA has long faced challenges in ensuring adequate controller staffing and training to maintain safety of the NAS.
- Most recently, we reported that FAA has not ensured adequate controller staffing at its most critical facilities. For example, we found that 20 of 26 critical facilities were staffed below the Agency's threshold of 85 percent.

Related Recent Events

FAA and industry face technical problems that challenge the resilience of NAS operations. For example:

- On January 10, 2023, an outage in FAA's Notice to Air Missions system, which combined a newer system with a 20-year-old system, caused a nationwide ground stop and thousands of flight delays. Since then, FAA reports it has implemented corrective actions aimed at fixing the root cause of the outage.
- On July 19, 2024, U.S. airlines and airports were affected by the global technology outage caused by updates to cybersecurity software provided by CrowdStrike. Beyond the immediate flight delays and cancellations, one airline struggled to recover and faced days of significant impacts, mirroring challenges another airline faced following winter weather delays in December 2022. The Department opened investigations of both airlines in connection with these disruptions.

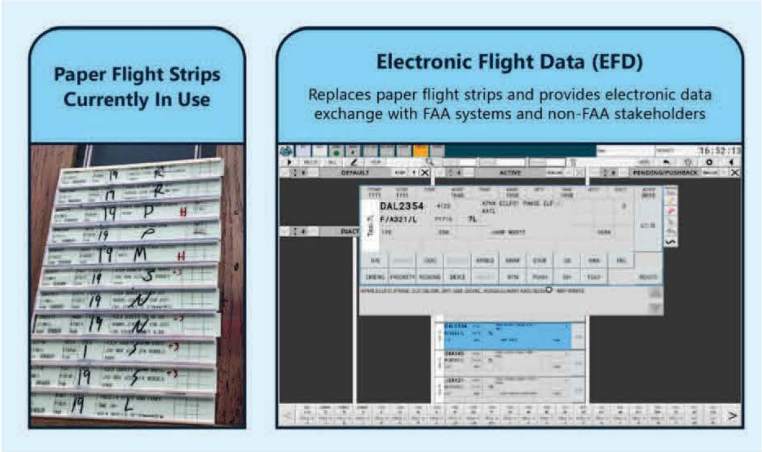
Inspector General's FY 2025 Top Management Challenges *(CONT.)*

- Further, controller staffing challenges at critical facilities have led FAA to reduce air traffic operations in some circumstances. For example, Jacksonville Center has experienced over 300 staffing triggers—an action taken by FAA management when staffing constraints lead to a need to reduce the amount of air traffic in affected airspace—and New York Terminal Radar Approach Control Facility (TRACON) has had 170.
- FAA's implementation of pauses in air traffic controller training during the COVID-19 pandemic contributed to controller staffing challenges by resulting in an increase in certification times for controllers. FAA needs improved resiliency in staffing and contingency planning for disruptions, and our audit work shows that FAA's lack of a plan to address these staffing challenges limits the capacity of the NAS.

Keep the Deployment of NextGen Systems and Capabilities on Track While FAA Terminates the Office of NextGen

- The FAA Reauthorization Act of 2024 mandates that FAA operationalize all key NextGen programs by the end of calendar year 2025. However, implementation challenges have delayed the full deployment of certain capabilities to beyond 2030. These delays, along with changes in the scope of many NextGen programs, have made NextGen less transformational than originally envisioned and resulted in continued reliance on legacy systems.
- For example, FAA has experienced a significant delay to the completion date of the Terminal Flight Data Manager (TFDM) system—an automation tool that introduces electronic flight strips and surface management tools—to February 2030, even though FAA has reduced the number of deployment sites from 89 airports to 49. Although the Agency expects that retention of the largest deployment sites will provide over 90 percent of the original anticipated monetized benefits, FAA will need to continue to rely on legacy paper flight strips in the airports to which TFDM is not deployed.
- Further, the Act directs FAA to terminate the Office of NextGen by the end of 2025 and transfer all functions, duties, and authorities to other FAA offices, including an Airspace Modernization Office to be established pursuant to the Act. While doing so, FAA will need to keep NextGen programs on track and mitigate future implementation challenges.

Paper Flight Strips Compared to Terminal Flight Data Manager's Electronic Flight Data



Source: FAA

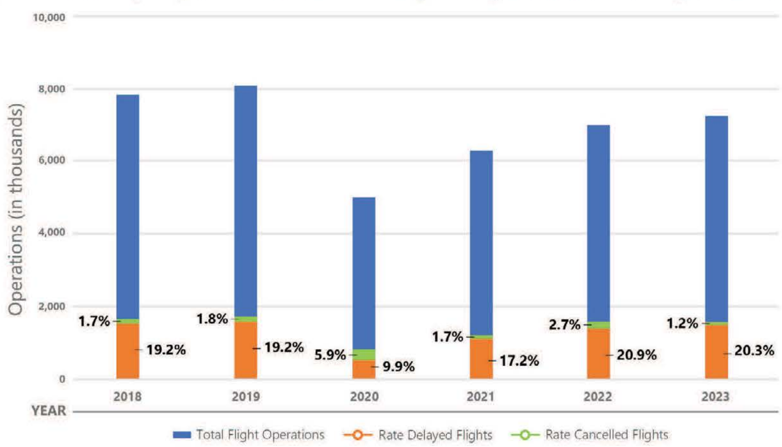
DOT Top Management Challenges (FY 2025) www.oig.dot.gov | 10

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Improve Processes for Collecting and Analyzing Flight Delay and Cancellation Data and Consumer Complaint Data To Oversee Airlines and Protect Consumers

- DOT has been increasing its emphasis on consumer protection, including through oversight of airline scheduling practices.
- However, while DOT relies on systemwide and air carrier-specific delay and cancellation data collected by its Bureau of Transportation Statistics (BTS), we recently reported that BTS can do more to assess the completeness and consistency of this data, which is not always in agreement with air traffic control data collected by FAA. Having good data is essential to DOT's understanding of the nature and causes of flight delays and cancellations and ability to effectively oversee airline performance.
- As DOT seeks to protect consumers, it faces challenges driven by the scale and complexity of the consumer-protection mission. For example, DOT continues to receive substantially more complaints about airline refund practices than it did before the pandemic. And DOT faces complex tradeoffs in its priority of promoting competition, its rulemaking related to Part 135 operations, and its efforts to address pilot shortages and maintain connectivity to the NAS for small and rural communities.

Number of Flight Operations and Rates of Flight Delays and Cancellations, 2018–2023



Source: OIG analysis of DOT data

For more information on the issues identified in this chapter, please contact:

Nelda Z. Smith
Assistant Inspector General for Aviation Audits
(202) 366-2140 | Nelda.Z.Smith@oig.dot.gov

Recent Progress Reported by the Department

- In February 2024, FAA announced it would use an enhanced collegiate training program to accelerate training and hiring of air traffic controllers.
- Since May 2024, FAA has deployed TFDM to 3 more air traffic control towers, totaling 10 deployment sites nationwide—9 with electronic flight strips and 1 with additional surface management tools.
- DOT issued an amended final rule in August 2024 requiring automatic refunds for canceled or significantly changed scheduled flights.

Related OIG Work

- FAA Faces Controller Staffing Challenges as Air Traffic Operations Return to Pre-Pandemic Levels at Critical Facilities (June 21, 2023)

  >> 2 recommendations (1 open,1 closed)

- FAA's Report on Air Traffic Modernization Presents an Incomplete and Out-of-Date Assessment of NextGen (April 30, 2024)

  >> 3 recommendation (1 open, 2 closed)

- FAA Has Begun To Deploy TFDM, but Cost Growth Has Resulted in Significant Program Changes and Delayed Benefits (July 17, 2024)

  >> 3 recommendations (3 open, 0 closed)

- The Bureau of Transportation Statistics Verifies the Accuracy of Flight Delay and Cancellation Data but Can Do more To Assess Its Completeness and Consistency (October 23, 2024)

  >> 7 recommendations (7 open, 0 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Surface Transportation Infrastructure

OAs Impacted
FHWA, FRA, FTA, OST, MARAD

Related DOT Strategic Goal(s)
Transformation, Economic Strength and Global Competitiveness, and Equity

DOT is responsible for overseeing billions of dollars in surface infrastructure investments—supporting roads, bridges, rail, transit, ports, and energy system projects and programs. As such, DOT will be challenged to evaluate the progress of its programs, strengthen its oversight, and prudently advance surface transportation priorities and goals.

Infrastructure Investment and Jobs Act (IIJA) Funding Through September 22, 2024, by Operating Administration (Dollars in Millions)

DOT Agency	IIJA Adjusted Budget Authority	IIJA Obligations	% Obligated	IIJA Disburse ments	% Disbursed
FHWA	$191,901	$163,123	85%	$80,976	47%
FTA	$67,152	$39,385	59%	$12,707	20%
FRA	$49,364	$23,589	48%	$9,083	19%
MARAD	$1,375	$180	13%	$11	1%
OST	$13,137	$1,936	15%	$218	2%
Total	$321,929	$228,213	71%	$102,995	35%

Source: OIG analysis of DOT-provided information through September 22, 2024

Note: Budget authority amounts reflect adjustments and transfers. Amounts include IIJA-authorized appropriations. All numbers are rounded.

Evaluate the Progress of Surface Transportation Programs

- DOT has made progress obligating and disbursing Infrastructure Investment and Jobs Act (IIJA) funds (see table). However, in the third year of IIJA, some grant programs are only beginning to obligate funds. For example, FRA's Federal State Partnership for Intercity Passenger Rail Grants Program—which received the largest portion of FRA's IIJA funds—has obligated less than 10 percent of its announced funding, as of September 22, 2024.
- For discretionary grants, the Secretary has stated that DOT is working to compress its processes. However, at a recent congressional hearing, concerns were raised over the complexity of the application process and DOT taking up to 2 years to execute a grant agreement after award.
- DOT developed a dashboard and biweekly report to track its IIJA spending but faces challenges in evaluating programs as required. For example, recent DOT plans identified several challenges for evaluating IIJA-related surface transportation programs, including the time required to assess long-term grant outcomes and inconsistently defined data.

Related Investigative Work

OIG's investigations help protect Government infrastructure investments and investigate fraud schemes, bid rigging, and false claims. For example:

- A company's vice president, an estimator, and the company they worked for were indicted in Oklahoma for conspiracy to suppress and eliminate competition by fixing prices and rigging bids for erosion control products and services between September 2017 and April 2023.
- A vice president of a masonry restoration company was charged in Pennsylvania in a bribery scheme related to Amtrak's $87 million 30th Street Station restoration project, funded largely with FRA grant funds. From at least May 2016 until November 2019, the vice president and others allegedly provided a former Amtrak employee with approximately $320,000 in gifts and other things of value. In return, the former employee approved additional expenses for the project, thereby increasing the value of the contractor's work. A series of falsely inflated change orders reflected these additional expenses, causing Amtrak to be substantially overbilled.

Indictments, informations, and criminal complaints are only accusations by the Government. All defendants are presumed innocent unless and until proven guilty.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Continue To Strengthen Oversight of Federal Transportation Investments

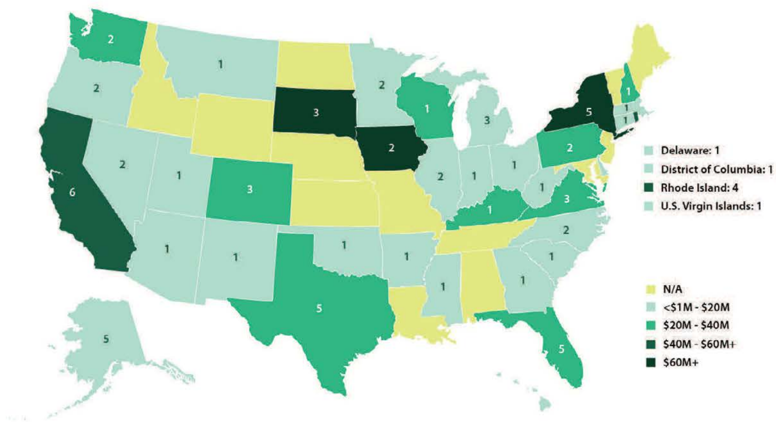
- As it disburses IIJA funds, DOT faces challenges in overseeing usage to assure that the Nation receives high-quality, high-value outcomes from these expenditures. In 2023, we recommended that DOT improve the effectiveness of its IIJA fraud risk assessment processes. Our ongoing audit work evaluating FHWA's construction quality assurance oversight activities is reviewing how FHWA's programs address fraud risk. As DOT makes some awards in excess of $1 billion, our past work on DOT's oversight of Amtrak and high-speed rail funding highlights the importance of assuring recipient compliance with grant agreements and other Federal requirements to achieve intended goals.
- DOT faces challenges in overseeing other funding as well, including unexpended Hurricane Sandy and COVID-19 relief funds. For example, we recommended in 2022 that FTA address the risk areas it identified in COVID-19 relief funding control activities, including fraud and abuse, and the limited capacity of oversight contracts; this recommendation remains open.
- Operating Administrations will also be challenged to incorporate evolving Federal requirements and guidance into their oversight practices, which could help them address issues identified in our audit work. For example, FTA, which used retrospective reviews to determine if grant recipients carry required flood insurance, is still addressing our 2019 recommendation to implement additional procedures to strengthen these reviews. However, under IIJA, applicants for FTA's Public Transportation Emergency Relief Program are now required to provide proof of insurance required by Federal law for all structures related to the grant application. Furthermore, in June 2024, the U.S. Government Accountability Office proposed changes to its Federal internal control standards that emphasize similar preventive control activities to avert unintended outcomes rather than detective approaches to correct unintended outcomes after they occur.

Provide Support in a Dynamic Surface Transportation Sector

- The deliberate pace of progress in programs such as the $5 billion National Electric Vehicle Infrastructure Program underscores the tradeoffs DOT faces in setting standards and requirements, particularly when the Department seeks to achieve numerous objectives such as consistency, affordability, equity, and consumer protection, as well as overarching goals related to climate and union-job creation.
- As transit agencies exhaust pandemic relief funds and ridership remains below pre-pandemic levels, FTA's support for maintaining transit systems in a state of good repair will be critical. Our ongoing work examines FTA's oversight of capital improvement grant recipients' progress in meeting transit asset management targets.
- DOT faces coordination and funding challenges in transportation sector resilience. Even as IIJA introduced an emphasis on natural disasters and weather events, it continued to define resilience in terms of anticipating, preparing, withstanding, and recovering from all kinds of disruptions. The loss of life, dislocation, and potential replacement cost generated by events like the Francis Scott Key Bridge collision and collapse in Baltimore, MD, underscore the importance of this effort.
- Amidst a landscape marked with increased risks, including from expanded global instability, DOT's role as the Cybersecurity and Infrastructure Security Agency's Co-Sector Risk and Resilience Management Lead Agency for the Transportation Systems Sector takes on increasing importance. Success in this function will require drawing on the subject matter expertise at DOT and its Operating Administrations and coordination with other government entities at the Federal, State, and local level as well as private sector and nongovernmental organization stakeholders.
- To implement its resilience-focused 2024–2027 Climate Adaptation Plan, DOT will need to coordinate with both internal and external stakeholders and optimize funds delivered through programs such as PROTECT grants (see graphic on next page), from which DOT recently awarded almost $830 million. However, our work on FAA's actions to address resiliency through IIJA programs highlights the challenges in identifying risks and establishing metrics through which to deliver on resiliency priorities.

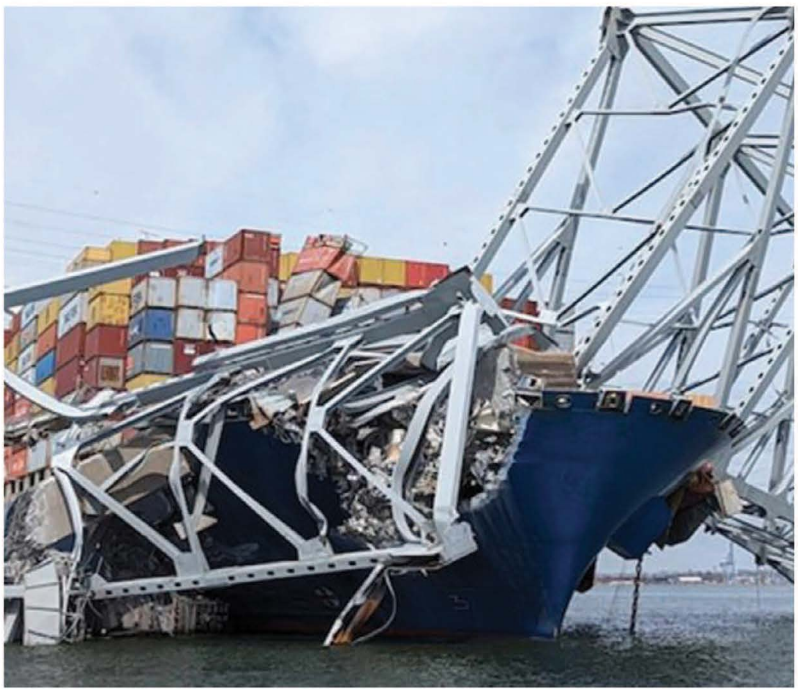
Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Map of Fiscal Year 2022 and 2023 PROTECT Discretionary Grant Recipients



Source: OIG analysis of FHWA information

Francis Scott Key Bridge Collapse, March 26, 2024



Source: U.S. Army Corps of Engineers

Recent Progress Reported by the Department

- DOT reported its work with ports and supply chain companies contributed to reductions in supply chain pressures including a large reduction in the number of ships waiting at ports.
- DOT provided nearly $9 billion to expand service and reduce delays on Amtrak's Northeast Corridor, which supports 200 million trips each year.
- DOT awarded $7.2 million to fund instrumentation, testing, and evaluation of complementary Positioning, Navigation, and Timing technologies to facilitate technology adoption for resiliency improvement.

Related OIG Work

- FHWA's Oversight of Construction Quality Assurance on Federal-aid Projects *(not yet published)*
- DOT Should Enhance Its Fraud Risk Assessment Processes for IIJA-Funded Surface Transportation Programs (June 20, 2023)

  >> 2 recommendations (2 open, 0 closed)
- FTA Made Progress in Providing Hurricane Sandy Funds but Weaknesses in Tracking and Reporting Reduce Transparency Into Their Use (July 21, 2021)

  >> 2 recommendations (0 open, 2 closed)

For more information on the issues identified in this chapter, please contact:

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-1844 | David.Pouliott@oig.dot.gov

For the current status of all our recommendations, visit our Recommendation Dashboard online.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

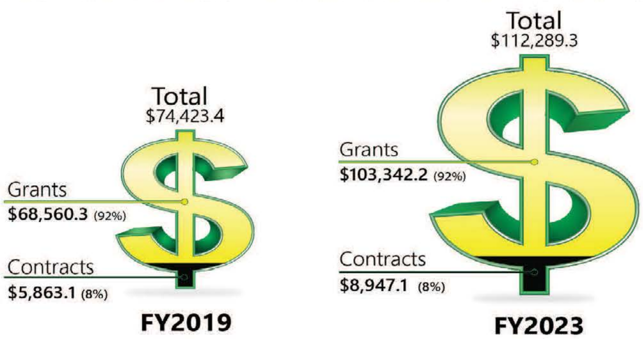
Grant and Contract Fund Stewardship

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Safety, Economic Strength and Global Competitiveness, Climate and Sustainability, Transformation, Organizational Excellence

In fiscal year 2023, DOT obligated approximately $112 billion ($103 billion in grant funds and $9 billion in contract funds), representing a 51-percent increase from fiscal year 2019, immediately before the flow of pandemic relief and Infrastructure Investment and Jobs Act (IIJA) funds began (see figure). The use of these funds directly correlates to DOT's ability to achieve its strategic goals and mission of delivering the world's leading transportation system. However, our work identifies challenges DOT will face regarding its grant and contract fund stewardship, including making sound award decisions, promoting competition, and confirming funds are used as intended.

DOT Grant and Contract Obligations Fiscal Year 2019 Versus 2023 (in Millions)



Source: OIG analysis of the grant application narrative and project's final invoice payment

Make Sound, Transparent Grant and Contract Award Decisions

- Sound grant and contract award decisions include evidence of a transparent selection process, determining reasonable pricing, considering competition, and evaluating applicant qualifications and proposed project plans. However, DOT has demonstrated shortfalls in these areas, inhibiting its ability to achieve best value outcomes. For example, FAA awarded $22.9 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funds without the receipt of complete grant applications. As such, FAA could not validate the recipients' proposed project costs as reasonable and eligible.
- Further, the U.S. Government Accountability Office and congressional testimony from stakeholders of DOT's discretionary grant programs have continued to highlight concerns regarding the timeliness, consistency, and transparency of DOT's discretionary grant award process, including the more than $110 billion IIJA authorized for discretionary programs—approximately $40 billion of which was awarded in fiscal year 2023 alone.
- The efficient use of grant funds depends, in part, on genuine competitive bidding and cost competition for the project contracts they fund. Yet the ability to achieve competitive outcomes is dependent on the extent of competition, the number of qualified contractors, and the capacity to detect anti-competitive behaviors.
- In its acquisitions, DOT's use of long-term, single vendor contracts—often for new and evolving technologies—challenges its ability to adequately evaluate qualifications, project requirements, and costs when making award decisions. As we have previously reported, DOT could better combat this challenge by using incremental acquisition strategies, particularly for larger and more technical contracts. This would also help DOT promote competition throughout acquisition lifecycles, allowing for lower prices and better-quality results.

Related Investigative Work

OIG's grant and contract fraud investigations safeguard Federal transportation dollars by investigating bribery and corruption, bid rigging, false claims, or labor and materials overcharging. For example:

- A construction company falsely represented the origin and environmental quality of stone used in a Rhode Island highway project, which violated terms of the contract. The company agreed in October 2022 to pay $1 million to resolve allegations that it violated the False Claims Act.
- Owners and operators of an Ohio-based pavement-marking contractor that performed paint-striping services for Ohio, Kentucky, and West Virginia contracted with State authorities to paint-stripe roads using a certain amount of paint and glass beads but then underapplied those materials and falsely said they had complied with contractual requirements. The two individuals pleaded guilty to committing fraud and were sentenced in April 2023 to 2 years of incarceration, 2 years of supervised release, a $160,000 fine, and to jointly pay $579,014 in restitution.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Confirm Grant and Contract Funds Are Used as Intended

- Given the magnitude of grant and contract funds DOT administers on behalf of taxpayers, a significant challenge for the Department is confirming these funds are used as intended. This includes ensuring recipients and contractors comply with applicable laws, regulations, and award terms and conditions. However, we have found DOT relies on self-certifications for certain funding requirements without adequate follow-up reviews—a practice we and the Federal oversight community have identified as exposing agencies to risks, such as improper payments and Buy America noncompliance.
- For example, FTA's reliance on self-certifications contributed to nearly $200 million in unsupported and ineligible expenses in CARES Act payments to six of eight sample Region 9 recipients (see figure). We also found FTA could not confirm a recipient's compliance with Buy America standards for its $138 million railcar contract with a U.S. subsidiary of a Chinese state-owned rolling stock manufacturer contributing to termination of the contract after a $55 million, 6-year investment. FTA funds were involved in at least two other major U.S. transit authorities' railcar contracts—totaling more than $1 billion—with this Chinese company and a related subsidiary.
- Given the scale of grant funds DOT awards, it should conduct robust pre- and post-award risk assessments that consider a variety of data sources, such as external stakeholders, single audits, and safety agencies. Doing so will help DOT uphold funding integrity and achieve funding objectives.

Sampled FTA Region 9 Recipients' CARES Act Total Payment, Unsupported Cost, and Ineligible Expense Amounts

Sample Recipients	Total FTA CARES Act Payments	Total Unsupported Costs	Total Ineligible Expenses
1	$377,053,455	$25,811,637	$183,071
2	$3,807,217	$522,190	$122,591
3	$23,796,604	$0	$0
4	$861,910,265	$90,042,776	$3,309,292
5	$53,266,820	$9,717,149	$617,769
6	$112,263,863	$0	$0
7	$90,200,000	$200,000	$0
8	$373,782,759	$66,537,361	$0
Totals	**$1,896,080,983**	**$192,831,113**	**$4,232,723**

Source: OIG analysis of FTA Region 9 data. FTA Region 9 includes Arizona, California, Hawaii, Nevada, American Samoa, the Commonwealth of the Northern Marianas Islands, and Guam.

Recent Progress Reported by the Department

- DOT onboarded the Director of its newly established Office of Grants and Financial Assistance in February 2024 and is actively hiring staff for this office. The mission of this office includes implementing guidance, programs, and technology aimed to enhance and streamline grants management across DOT.
- FTA has agreed to develop and implement written procedures to strengthen its ability to assess expense eligibility as part of the recipient's reimbursement request process for funds identified as elevated risk for misuse.

Related OIG Work

- FTA's Oversight of SEPTA's Compliance With Buy America Rolling Stock Requirements Faced Several Challenges (July 31, 2024)
  >> 8 recommendations (7 open, 1 closed)
- FTA's Oversight of Its Region 9 Recipients Is Insufficient To Confirm Compliance With CARES Act Funding Requirements (May 21, 2024)
  >> 4 recommendations (4 open, 0 closed)
- FAA Did Not Fully Follow Its Processes When Awarding and Administering CARES Act-Funded Airport Development Grants and Contracts (February 21, 2024)
  >> 8 recommendations (7 open, 1 closed)

For more information on the issues identified in this chapter, please contact:

Carolyn J. Hicks
Assistant Inspector General for Acquisition and Procurement Audits
(202) 366-9158 | carolyn.hicks@oig.dot.gov

For the current status of all our recommendations, visit our Recommendation Dashboard online.

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Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Financial Management

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Economic Strength and Global Competitiveness, Organizational Excellence

DOT faces challenges exercising adequate stewardship over Federal funds and complying with Federal requirements. Specifically, DOT needs to improve its ability to protect taxpayers' financial interests in real property, strengthen controls to properly oversee and report equipment that should be capitalized, and address single audit issues timely. Further, the Department's controls are not sufficient to ensure that DOT does not make payments to ineligible recipients and that the Working Capital Fund is self-sustaining.

Discrepancies in Operating Administrations' (OA) Capitalized Equipment Values as Reported by OST and Reported to OIG, FYs 2022 and 2021 (Dollars in Thousands)

	Fiscal Year 2022			Fiscal Year 2021		
OA	OST B-30 Reported Values	OA Provided to OIG	Discrepancy	OST B-30 Reported Values	OA Provided to OIG	Discrepancy
MARAD	$82,656	$86,663	$4,007	$1,831	$1,831	$0
FHWA	$14,069	$9,348	($4,722)	$15,125	$10,405	($4,720)
OST	$13,800	$2,775	($11,025)	$15,308	$4,815	($10,493)
NHTSA	$7,557	$6,058	($1,499)	$3,813	$2,940	($873)
Total	**$118,082**	**$104,844**		**$36,077**	**$19,991**	

Source: OIG analysis of OST B-30 and individual Operating Administration reported data

Improve Stewardship of Agency-Owned or Federally Funded Property

- DOT faces challenges overseeing both agency-owned and federally funded properties, impacting its ability to protect the American public's financial interests. For example, FTA should improve its processes to verify disposition of all real property; identify all real property acquired with grant funds; and verify all real property inventories.
- DOT and its Operating Administrations lack controls to manage capitalized equipment—a type of personal property that agencies enter on general ledger records as major investments or assets. Departmental policies relevant to capitalized equipment do not comply with Federal law, and some Operating Administrations' lists of capitalized equipment do not reconcile with DOT's financial report (see table above). For example, MARAD misclassified $84 million of Agency-owned vessels while FRA did not capitalize up to $53 million of eligible equipment.
- Accounting policy weaknesses for FHWA's construction projects on Federal lands caused a significant deficiency in DOT's fiscal year 2023 financial statements. Specifically, FHWA did not perform necessary capitalization as construction-in-progress and transfer-out of a completed asset to its Federal land management agency partner.
- A new accounting standard being implemented in fiscal year 2026 will require agencies to report estimated acreage for general property, plant and equipment land, and stewardship land in the notes to the financial statements. Consequently, DOT may be challenged to implement processes to produce required data.

Related Investigative Work

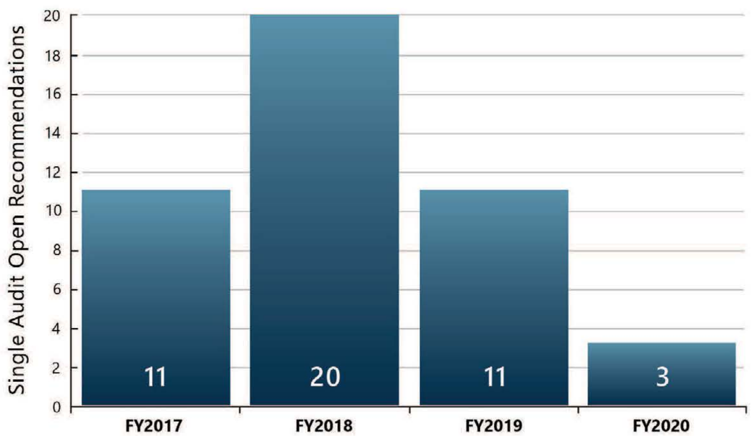
OIG's financial management investigations aim to prevent the loss of Federal dollars and equipment and ensure funds are properly spent, including those designated for disadvantaged business enterprises (DBEs) and veteran-owned or women-owned small businesses. For example:

- A trucking firm official submitted a loan application to the Small Business Administration on behalf of a sham trucking company in an attempt to steal approximately $133,200 in Federal funds. The official was sentenced in Georgia in June 2022 to 21 months in prison and 3 years of supervised release and ordered to pay $133,000 in restitution and to forfeit four automobiles.
- A company and its president falsely certified that two DBEs performed work on an FHWA-funded project in New Jersey and billed the company for work performed by non-DBEs. In a civil settlement agreement, the company and president agreed to pay a total of $400,000 to resolve civil False Claims Act violations.

DOT Top Management Challenges (FY 2025) www.oig.dot.gov | 17

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Single Audit Recommendations Made in Fiscal Years 2017–2020 That Remained Open Through Fiscal Year 2024



Source: OIG analysis of DOT data as of August 22, 2024

Improve Compliance With Federal Requirements for Monitoring and Reporting on Grantee Spending

- Between 200 and 300 single audit reports are issued annually that include findings related to programs directly funded by DOT. OMB's Uniform Guidance requires agencies to follow up on single audit findings and verify the appropriateness of grantees' resolutions. Numerous repeat findings demonstrate the challenge of ensuring grantees resolve findings timely, and DOT also faces a major task in determining the allowability of millions of dollars in questioned costs identified in these reports and taking appropriate recovery actions (see graphic).
- We previously reported that DOT had not appointed a single audit accountable official, as required, who is responsible for ensuring that the agency complies with the Uniform Guidance. DOT has appointed an accountable official and another key role in its new grants management office. However, this office has not issued new single audit procedures, and DOT's current procedures do not ensure that Operating Administrations fully meet Uniform Guidance requirements for tracking and monitoring grantees' single audits.

Improve Compliance With Federal Requirements for Managing and Expending Federal Funds

- DOT faces challenges ensuring the Working Capital Fund (WCF) is self-sustaining and costs for services provided are fully recovered. We recently reported that DOT lacks controls to determine whether its billing-rate methodologies achieve cost recovery for WCF IT services. Internal control weaknesses result in inadequate oversight to validate charges, inaccurate accounting of IT services, and noncompliant agreements with customers. The Office of Financial Management lacks written policies and procedures to demonstrate how the WCF governs reserves, identifies surplus advances and excess funds, and evaluates whether it breaks even.
- Ensuring that Government funds are distributed to eligible recipients is another important financial management challenge for the Department. The Do Not Pay Initiative requires agencies to verify recipients' eligibility to receive payments in the U.S. Department of the Treasury's Working System databases (see table on next page) as appropriate before funds are released. We reported on weaknesses in DOT's internal controls that do not comply with the Initiative. Consequently, as it disburses funds, DOT increases risks of making payments to ineligible recipients.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Treasury's Working System Databases

Database	Description
Death Master File (DMF), Public	DMF is a Social Security Administration (SSA) database, containing information about persons whose deaths were reported to SSA from 1962 to present. The Treasury's Working System uses a truncated version of SSA's DMF that is available to the public.
System for Award Management (SAM) Exclusions, Restricted	SAM exclusion records contain data for all active exclusion records entered by the Federal Government. These records identify parties excluded from receiving Federal contracts, certain subcontracts, and Federal financial and non-financial assistance and benefits.
Treasury Offset Program (TOP) Debt Check	TOP Debt Check is a data extract or subset of data contained in the TOP delinquent debtor database. It was created for the Do Not Pay (DNP) system to help agencies deny Federal loans, loan insurance, and loan guarantees to entities delinquent on Federal non-tax debts and child support obligations (if allowed by agency statute and regulations).
Credit Alert System (CAIVRS)	CAIVRS is a shared database of defaulted Federal debtors. CAIVRS enables application processors for Federal credit benefits to identify individuals who are in default, have had claims paid on direct or guaranteed Federal loans, or are delinquent on other debts owed to Federal agencies.
List of Excluded Individuals and Entities (LEIE), Restricted	The LEIE is the Department of Health and Human Services OIG's current record of individuals and entities excluded from receiving reimbursement from federally funded healthcare programs for any goods or services provided.
Incarcerated Individuals	This database contains information on incarcerated individuals under the jurisdiction of the U.S. Attorney General. It verifies recipients' eligibility for benefits, which are prohibited or adjusted for prisoners. (This database is not yet in the DNP portal.)

Source: U.S. Department of the Treasury's Bureau of the Fiscal Service

Recent Progress Reported by the Department

- To enhance compliance with the Do Not Pay Initiative, DOT is working with Treasury's Bureau of the Fiscal Service to establish a process to assess the appropriateness of available data sources.
- DOT has launched the WCF Improvement Project, which is reviewing, revising, and documenting policies and processes. The project includes a review of billing methodologies, a benchmarking analysis of other Federal revolving funds, and establishing the WCF's SharePoint site to improve transparency.

Related OIG Work

- DOT's Working Capital Fund Oversight and Management Are Insufficient To Achieve Cost Recovery for IT Services (July 3, 2024)

  >> 9 recommendations (8 open, 1 closed)
- FTA's Oversight of Federally Funded Real Property Is Insufficient To Ensure Grant Recipients Meet Federal Reporting and Disposal Requirements (May 20, 2024)

  >> 8 recommendations (8 open, 0 closed)
- DOT's Policies and Do Not Pay Portal Use Are Not Sufficient To Comply With the DNP Initiative (November 20, 2023)

  >> 2 recommendations (2 open, 0 closed)

For more information on the issues identified in this chapter, please contact:

Dormayne Dillard-Christian
Assistant Inspector General for Financial Audits
(202) 366-8543 | Dormayne.Dillard-Christian@oig.dot.gov

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Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Information Security

OAs Impacted
Departmentwide

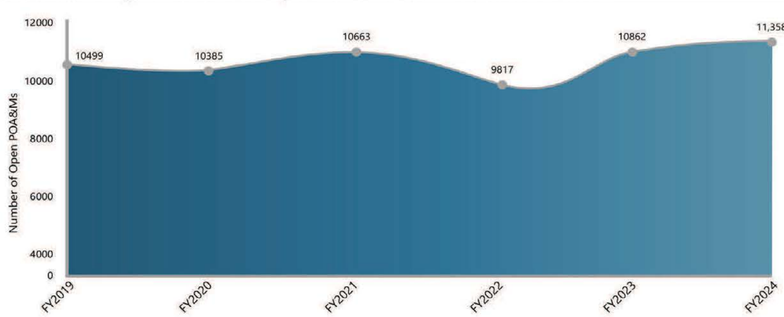
Related DOT Strategic Goal(s)
Safety, Transformation, Organizational Excellence

DOT faces longstanding challenges in its cybersecurity program, which includes about 400 information systems. For instance, DOT lacks an accurate inventory of hardware assets and cloud-based systems—a key requirement for an effective cybersecurity program. Additionally, vulnerability and configuration management weaknesses may allow attackers to gain access to mission-critical systems and sensitive data. As it works to address these challenges, DOT must implement Federal information security requirements and priorities while addressing cybersecurity matters to protect the transportation sector's critical infrastructure.

Address Longstanding Weaknesses To Protect DOT's Critical Information Systems

- Although DOT has made progress addressing recommendations from our past reviews of its compliance with the Federal Information Security Modernization Act (FISMA), outstanding recommendations remain, covering areas that impact its ability to improve its cybersecurity program. Most importantly, DOT has not implemented a broad scope recommendation to develop a multiyear strategy that commits resources to improving its information security program overall.
- Further, DOT faces other IT challenges, including security weaknesses associated with unsupported software, missing software updates, and configuration management, all of which present a significant risk to DOT systems. These weaknesses, many of which we identified during our fiscal year 2019 FISMA review and have found unresolved each year since, may allow unauthorized access into mission-critical systems and data.
- Finally, DOT faces challenges addressing known weaknesses in its information security profile. More specifically, as of June 30, 2024, DOT faces a cumulative backlog of 11,358 open security weaknesses in its Plans of Action and Milestones (POA&Ms), 90 percent of which belong to FAA (see figure). These challenges result from inconsistent enforcement of its information security policies and ineffective communication practices.

Number of Open POA&Ms Departmentwide Since Fiscal Year 2019



Source: OIG analysis of DOT POA&M data

Rising Risks in an Evolving Cybersecurity Landscape

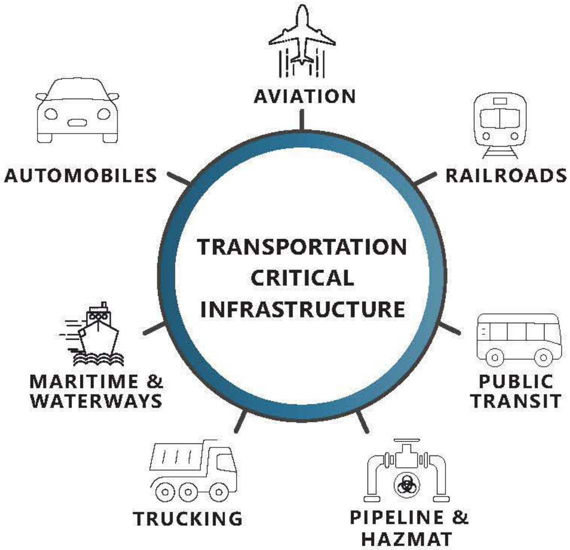
- Cyberattacks on the Federal Government and the Nation's critical infrastructure have increased in number, impact, and sophistication as malicious actors have become more willing and capable of carrying out such attacks. The U.S. Government Accountability Office recently issued a report calling for urgent action to address critical cybersecurity challenges facing the Nation, including to transportation infrastructure.
- The emergence of new technologies, including the expanded use of artificial intelligence (AI) applications, poses significant cybersecurity challenges for the Department. DOT directly provides IT systems and other technologies that comprise America's transportation infrastructure and regulates a landscape of increasing interconnectivity among Federal, State, and private sector entities. This is creating new dependencies, relationships, and vulnerabilities, resulting in new risks to DOT's IT infrastructure, systems, and mission.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Execute Key Cybersecurity Initiatives To Strengthen DOT's Effectiveness Addressing Transportation-Sector Cybersecurity Matters

- DOT and the Department of Homeland Security (DHS) have been designated as Co-Sector-Risk Management Agencies for the Transportation Systems Sector. As such, DOT is responsible for leadership, coordination, support, and engagement of its Operating Administrations and regulated communities on transportation-sector cybersecurity matters (see figure).
- However, as we reported last year, DOT has faced challenges in establishing an effective governance program for high-value assets to identify, prioritize, and secure its own critical information systems.
- In addition, DOT has not achieved zero-trust security—required by the Office of Management and Budget (OMB) by the end of fiscal year 2024, including implementation of multifactor authentication and encryption of data in transit—for information systems, devices, networks, applications, and data that support critical infrastructure. Therefore, DOT may also face challenges meeting OMB's new requirement for agencies to submit updated zero-trust implementation plans for all information systems, including the agency target maturity levels for high-value assets and high-impact systems to be achieved by the end of fiscal year 2026.

DOT Cybersecurity Role Protecting Transportation Critical Infrastructure



Source: OIG review of DHS National Infrastructure Protection Plan: Transportation Systems Sector

Recent Progress Reported by the Department

- DOT established a project team to address prior-year recommendations and engaged governance stakeholders to implement improvements in information system compliance monitoring.
- DOT established the Office of Sector Cyber Coordination to serve as advisor to the Chief Information Officer on cybersecurity matters. This Office supports DOT's objective to strengthen transportation systems' resilience to protect against disruption from attacks and collaborates with DOT stakeholders to include cybersecurity language in DOT's discretionary grants for critical infrastructure projects. DOT has also appointed an Acting Chief Information Security Officer.

Related OIG Work

- FISMA 2024—Quality Control Review of the Independent Auditor's Report on the Assessment of DOT's Information Security Program and Practices (September 30, 2024)
  >> 10 recommendations (10 open, 0 closed)
- DOT's Cloud-Based System's Security Weaknesses Hinder Its Transition to a Zero Trust Architecture (August 30, 2023)
  >> 21 recommendations (20 open, 1 closed)
- DOT Needs To Improve Its High-Value Assets Governance Program To Effectively Identify, Prioritize, and Secure Its Most Critical Systems (October 30, 2023)
  >> 7 recommendations (4 open, 3 closed)

For more information on the issues identified in this chapter, please contact:

Kevin Dorsey
Assistant Inspector General for Information Technology Audits
(202) 366-1518 | Kevin.Dorsey@oig.dot.gov

For the current status of all our recommendations, visit our Recommendation Dashboard online.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Transportation Transformation

OAs Impacted
FAA, FHWA, NHTSA, OST

Related DOT Strategic Goal(s)
Safety, Economic Strength and Global Competitiveness, Equity, Climate and Sustainability, Transformation, Organizational Excellence

DOT has adopted "transformation" as a strategic goal, and its position as the leading transportation regulator and funder means DOT has an outsized impact on the ability of the American transportation sector to design for the future and meet the challenges of the present. DOT should continue to reference its innovation principles to guide it in balancing its safety mission and oversight responsibilities with emerging current needs and long-term goals. Success in integrating new technologies into the National Airspace System (NAS) and offering robust choices for surface travel to the public will enhance national security, American prosperity, and the Nation's workers and industries.

Select Companies Approved for Beyond Visual Line of Sight Operations

Source: UAS Operators and Service Suppliers (from left to right: Zipline; Phoenix Air Unmanned; UPS Flight Forward; and uAvionix)

Integrate New Technologies Into the NAS

- Advancing innovation in the NAS requires the safe integration of Unmanned Aircraft Systems (UAS), Advanced Air Mobility (AAM) aircraft, and commercial space operations.
- Foreign capabilities in beyond visual line of sight (BVLOS) drone operations have surged as UAS are employed in increasingly sophisticated ways. Similarly, innovation in the United States depends on advancing more economically viable operations for UAS, by making BVLOS operations routine and scalable. FAA will continue to face challenges as it works to address recent congressional mandates to establish performance-based BVLOS regulations and safely integrate UAS into airspace. FAA will also need to continue working with stakeholders to enhance public acceptance of BVLOS operations.
- FAA also faces challenges integrating AAM vehicles, including electric vertical takeoff and landing (eVTOL) aircraft, into the Agency's existing certification and operational framework. Of note, FAA published final airworthiness criteria for two eVTOL AAM aircraft in March and May of 2024. Yet, the Agency also has work to do in AAM-related areas, such as airspace management and infrastructure requirements, to potentially unlock benefits in reduced emissions and expanded access in the NAS.
- FAA reported as of August 14, 2024, that there have been 126 licensed commercial space operations in fiscal year 2024, more than triple the number in 2020. FAA estimated that the number could increase anywhere from 73 to nearly 200 percent from fiscal years 2023 through 2028, which also increases the chance of a mishap occurring. While the Department collaborates with the private sector to allow for experimentation and learning from setbacks, implementing this while overseeing the increased pace of operations has been challenging. The moratorium limiting new FAA regulations for commercial human space flight, extended multiple times and now to January 1, 2025, also creates uncertainty about the Agency's future activities.

Related Investigative Work

OIG conducts investigations to address wrongdoing affecting public safety and to improve DOT's programs. This includes allegations of the improper use of UAS, as well as high-risk criminal conduct inspired by social media. For example:

- An individual used a UAS to drop a paint bomb and a homemade improvised explosive device. The individual pleaded guilty in November 2022 and was sentenced in Georgia to 3 years of incarceration and 17 years of probation.
- An individual flew a drone over the National Football League's AFC Championship Game in Maryland, temporarily suspending the game. The individual was sentenced in March 2024 to 1 year of probation and a $500 fine.
- A California pilot mounted video cameras on an airplane and deliberately parachuted from the aircraft, crashing it in Los Padres National Forest. The pilot posted video footage on YouTube and lied to Federal investigators. The pilot pleaded guilty to obstructing an investigation and was sentenced in December 2023 to 6 months of incarceration.

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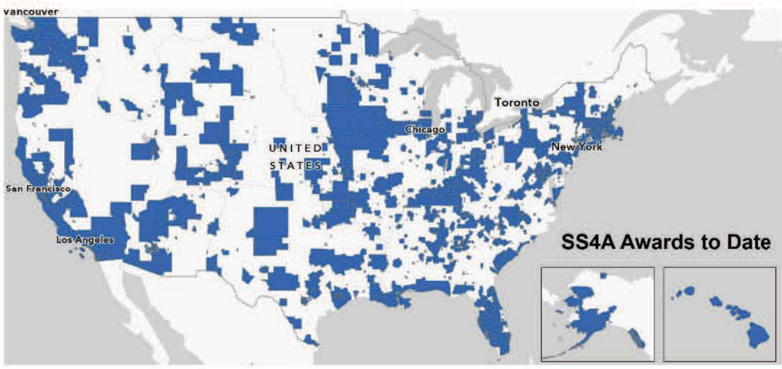
Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Facilitate Innovation by Supporting Stakeholders in Their Safe Adoption of New Technologies

- DOT faces challenges on many fronts in overseeing the testing and implementation of technological changes in transportation that best serve the public as DOT carries out its 2022 innovation principles across all surface modes.
- A key challenge is overseeing Infrastructure Investment and Jobs Act (IIJA)-funded innovation-related programs—such as the Safe Streets for All program (see figure)—and optimizing IIJA-funded research to most efficiently advance innovation. This includes administering the recently launched Advanced Research Projects Agency-Infrastructure (ARPA-I), which will fund research and development projects intended to unleash innovation and address persistent problems in physical and digital transportation infrastructure.
- DOT must address evolving vehicle technology, including automation and electric vehicles, which offer the potential to transform roadway safety and the Nation's energy usage while improving accessibility and fairness in surface transportation. The Department faces challenges in developing voluntary consensus standards, testing new tools, and making decisions based on robust, outcome-oriented data about safety, emissions, and other priorities. If these transformations are to be successful, DOT and its Federal, State, and private partners will need to move beyond a focus on anecdotes of failure to a data driven focus on successes.

Safe Streets for All (SS4A) Grants Awarded in 2022, 2023, and 2024 as Reported by DOT



Source: DOT SS4A Program Fact Sheet

For more information on the issues identified in this chapter, please contact:

Nelda Z. Smith
Assistant Inspector General for Aviation Audits
(202) 366-2140 | Nelda.Z.Smith@oig.dot.gov

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-1844 | David.Pouliott@oig.dot.gov

Recent Progress Reported by the Department

- FAA plans to publish a proposed rule for BVLOS operations by the end of 2024. In July 2024, FAA authorized multiple operators to fly commercial drones without visual observers in the same airspace, allowing them to deliver packages using UAS Traffic Management (UTM) technology.
- In June 2024, FAA announced that Virgin Galactic and Sierra Space will transmit space vehicle launch and re-entry data to FAA's Space Data Integrator.
- In 2024, DOT formed the Transforming Transportation Advisory Committee to advise the Secretary.
- In August 2024, DOT published aspirational targets including having vehicle-to-everything (V2X) technology deployed along 50 percent of the country's highways and at 40 percent of intersections by 2031.

Related OIG Work

- Regulatory Gaps and Lack of Consensus Hindered FAA's Progress in Certifying Advanced Air Mobility Aircraft, and Challenges Remain (June 21, 2023)
  >> 4 recommendations (2 open, 2 closed)
- FAA Has Deployed a Prototype System for Monitoring Commercial Space Operations but Faces Integration Challenges (June 21, 2023)
  >> 4 recommendations (2 open, 2 closed)
- FAA Has Made Progress on a UAS Traffic Management Framework, but Key Challenges Remain (September 28, 2022)
  >> 4 recommendations (0 open, 4 closed)

For the current status of all our recommendations, visit our Recommendation Dashboard online.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Organizational Excellence

OAs Impacted
Departmentwide

Related DOT Strategic Goal(s)
Organizational Excellence

In 2022, DOT adopted a strategic goal of organizational excellence, including through a capable, diverse, and collaborative workforce of highly skilled, innovative, and motivated employees as well as the use of data-driven programs and decision-making, with an orientation toward outcome-based performance measures. Given the breadth of DOT's mission, the size of its workforce, and changes to the work environment, DOT's challenges include addressing gaps in its workforce to fulfill mission needs, continuing efforts to assess its facility needs, and addressing longstanding organizational issues.

IIJA Hires by Surface Transportation Operating Administration Through September 2024

Operating Administration	IIJA Hiring Target	IIJA Selections	IIJA Positions Filled	Percent Positions Filled
FHWA	307	262	278	91%
FMCSA	312	183	143	46%
FRA	294	482	270	92%
FTA	245	320	130	53%
MARAD	33	27	17	52%
NHTSA	155	95	95	61%
PHMSA	9	9	8	89%
OST*	285	402	154	54%
Total	1640	1780	1095	67%

Source: OIG analysis of OST data
* OST figures include data for DOT's John A. Volpe National Transportation Center, which provides policy, management, and research expertise to support projects across all modes of transportation.

Hire, Train, and Retain the Workforce Necessary To Meet Department Goals

- To employ a world-class workforce with the talent to provide leadership across the transportation sector, DOT faces numerous workforce challenges. These include addressing a number of recommendations issued by the U.S. Government Accountability Office, such as to assess gaps in DOT's cybersecurity, data analysis, and IT acquisitions skills. Our work has likewise identified shortcomings in planning and hiring for IT needs, maintenance technicians, and other critical roles. The Department can also do better in providing staff with necessary guidance and training on topics ranging from contract documentation to Buy America compliance. Although DOT has begun addressing many recommendations, key actions remain to be taken.
- DOT also faces ongoing challenges in addressing human capital needs identified to achieve the Infrastructure Investment and Jobs Act's (IIJA) program goals. For example, we have found that some of DOT's surface Operating Administrations did not have comprehensive procedures to appropriately develop and validate their IIJA hiring goals. While DOT has made progress in achieving its internal hiring goals to implement IIJA programs in 2024 (see table), the selection numbers reported to the Office of Personnel Management may not represent actual headcount. Therefore, DOT officials cannot rely on these metrics for accurate information on the Department's progress toward achieving its targeted workforce capacity.

Related Investigative Work

Employee integrity matters, particularly those implicating the criminal law, are among OIG's core investigative priorities. Such investigations address serious DOT employee misconduct, such as misuse of Government property or funds and other illegal or prohibited actions. For example:

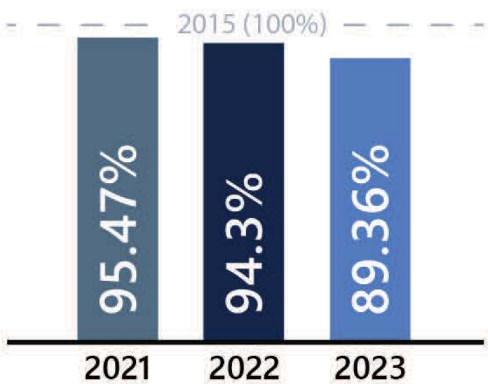
- An FRA employee purposefully misled FRA regarding the employee's official duty station to obtain higher locality pay. The employee pleaded guilty to theft of Government money and was sentenced in Pennsylvania in April 2024 to 36 months of probation and ordered to pay over $123,000 in restitution.
- Between 2015 and 2018, a DOT employee imported, marketed, and sold Iranian currency to customers in violation of the International Emergency Economic Powers Act. The individual also conspired to conduct international wire transfers of funds to purchase foreign currencies while misrepresenting the true purpose of the wire transfers. The employee pleaded guilty and was sentenced in Maryland in July 2023 to 24 months of incarceration and 24 months of supervised release.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Manage Workforce and Property Assets and Facilities in an Evolving Environment

- The challenges of managing the DOT workforce of more than 55,000 employees include administering remote work, telework, and flexible work schedules while facilitating meaningful in-person collaboration. In response to a congressional request, we are currently auditing DOT's oversight of its telework and remote work policies and its actions to evaluate the impact of these policies.
- DOT also faces capital planning challenges associated with directives such as the U.S. Office of Management and Budget's (OMB) "Reduce the Footprint" policy to shrink Federal office space from 2015 baselines (see figure) and office space provisions of the FAA Reauthorization Act of 2024. In August 2024, OMB reported that DOT is assessing its headquarters space utilization as well as potential office consolidation and collocation.
- Providing security, convenience, and accessibility to onsite workers is also an important area of focus. For example, FAA recently transferred control of some New York-area airspace to Philadelphia in an attempt to address air traffic control operational issues, in a move that led to staff reassignments. Separately, we have made recommendations to improve accountability for contractor employee Personal Identity Verification (PIV) cards that should be collected and deactivated when no longer needed. DOT should also remain aware of external events affecting DOT's workforce, including cybersecurity events, high-profile crimes, and changes in transit service near DOT headquarters and other facilities.

DOT's Property Portfolio Square Footage Compared to Fiscal Year 2015 Baseline



Source: OIG analysis of Performance.gov information
Note: DOT's fiscal year 2023 property portfolio is approximately 89 percent of its 2015 property portfolio.

Address Longstanding Organizational Issues

- DOT will be challenged to ensure it addresses longstanding organizational issues. For example, previous OIG audits identified significant concerns at MARAD's United States Merchant Marine Academy (USMMA), such as critical gaps in the Academy's Sexual Assault Prevention and Response Program and changing Academy plans that contributed to increased Capital Improvement Program contract costs and schedule delays.
- While MARAD has addressed our audit recommendations, USMMA still faces challenges to continue meeting mission requirements. As required by the National Defense Authorization Act for fiscal year 2023, we are currently auditing MARAD's actions to address 24 National Academy of Public Administration recommendations across a variety of areas.
- Departmentwide, DOT has in place policies and procedures to facilitate the reporting of wrongdoing and protect whistleblowers from retaliation. Further, the Secretary has stressed the obligation to cooperate with our office and of whistleblower protections. However, promoting a culture of such protection at all organizational levels requires sustained effort. For example, we recently recommended that one DOT office take further steps to revise business rules that appeared to conflict with whistleblowers' rights.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

DOT Headquarters: The William T. Coleman, Jr. and Norman Y. Mineta Federal Building

Source: OIG

Recent Progress Reported by the Department

- DOT again ranked in the top 10 of large agencies in 2023's Best Places to Work in the Federal Government rankings.
- DOT reported increasing outreach to Historically Black Colleges and Universities and focusing on recruiting women for technical roles.
- According to DOT, the Department both lowered the greenhouse gas footprint of facilities and operations since 2021 and reduced the waste generated from its buildings.

Related OIG Work

- DOT's Processes for Identifying Surface Transportation Workforce Needs To Implement IIJA *(not yet published)*
- FAA's Information Technology and Telecommunications Contracting Practices Limit Best Value Outcomes (February 26, 2024)

  >> 7 recommendations (4 open, 3 closed)
- Fragmented Processes Weaken DOT's Accountability for Contractor Employee PIV Cards (May 24, 2023)

  >> 6 recommendations (5 open, 1 closed)

For more information on the issues identified in this chapter, please contact:

David Pouliott
Assistant Inspector General for Surface Transportation Audits
(202) 366-1844 | David.Pouliott@oig.dot.gov

For the current status of all our recommendations, visit our Recommendation Dashboard online.

DOT Top Management Challenges (FY 2025) www.oig.dot.gov | 26

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Exhibit A. List of Last Year's Top Management Challenges

FY 2024 Top Management Challenges	Key Challenges
Aviation Safety	• Enhance FAA's Oversight of Aircraft Certification and Production • Diagnose Root Causes To Prevent and Mitigate Runway Incursions
Surface Transportation Safety	• Identify Root Causes and Implement Safety Programs To Reduce Fatalities • Verify and Enforce Railroad, Transit, Pipeline, and Hazardous Materials Safety Compliance
Air Traffic Control and Airspace Modernization	• Understand and Address the Causes of Flight Delays and Cancellations • Recover From and Assess the Impact of Delayed and Diminished NextGen Programs on Agency Costs and Benefits for Airspace Users
Surface Transportation Infrastructure	• Steward Surface Transportation Investments in a Changing Environment • Support Effective Funding Oversight as IIJA Progresses • Advance a Range of Surface Transportation Priorities and Goals
Contract and Grant Fund Stewardship	• Award Contract and Grant Funds To Achieve Best Value Outcomes • Verify Efficient and Appropriate Use of Contract and Grant Funds
Financial Management	• Reduce the Occurrence of Improper Payments • Improve Compliance With Federal Requirements for Monitoring and Reporting on Grantee Spending • Improve Quality of Financial Data
Information Security	• Overcome Obstacles To Mitigate Longstanding Weaknesses in DOT's Cybersecurity Program • Execute Federal Priorities To Move Towards a Zero Trust Architecture
Fraud Detection and Prevention	• Identify and Assess Fraud Risks • Manage Fraud Risks Through Oversight, Outreach, and Data Analysis
Transportation Transformation	• Advance Safety and Other DOT Missions Through the Innovation Principles • Safely Advance Emerging and Innovative Vehicle Technologies • Integrate New Technologies Into the NAS
Organizational Excellence	• Establish the Workforce Capabilities Needed To Meet the Department's Mission • Manage an Evolving Work Environment • Cultivate Data-Driven Approaches To Support Policymakers and Manage the Mission

Note: Prior OIG reports are available on our website at http://www.oig.dot.gov/.

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Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Appendix. Department Response

Memorandum

U.S. Department
of Transportation
Office of the
Transportation

Date: October 21, 2024

Subject: INFORMATION—Management Response to the Office of Inspector General (OIG) Draft Report: DOT's Fiscal Year (FY) 2025 Top Management Challenges

From: Victoria B. Wassmer VICTORIA BAECHER WASSMER Digitally signed by VICTORIA BAECHER WASSMER Date: 2024.10.21 18:13:30 -04'00'
Assistant Secretary for Budget and Programs, and Chief Financial Officer

To: Eric J. Soskin
Inspector General

The mission of the U.S. Department of Transportation (DOT) is to deliver the world's leading transportation system, serving the American people and our economy through the safe, efficient, sustainable, and equitable movement of people and goods. The OIG's report highlights the major management challenges that DOT will need to address over the coming year to achieve our strategic goals and objectives. The following summary provides the notable progress DOT has made during FY 2024 on these efforts.

Aviation Safety

Safety is DOT's top priority, and DOT continues to push for enhanced safety in aviation. Through the first nine months of FY 2024 DOT oversight contributed to a record of zero commercial aviation fatalities, and a reduction in general aviation fatalities.

Strengthen the Ability of Federal Aviation Administration (FAA) to Identify and Resolve Boeing Production Issues – Following the Alaska Airlines Flight 1282 incident on January 5, 2024, FAA took immediate action to increase oversight of Boeing by launching a special audit of Boeing's compliance with manufacturing requirements. FAA also increased the number of on-site safety inspectors at Boeing facilities increased data monitoring of Boeing's processes.

FAA directed Boeing to develop a comprehensive action plan to address its systemic quality control and production issues. Boeing provided the plan to FAA on May 30, 2024, and committed to enhance employee engagement; increase oversight of suppliers and at each step of the production process; and simplify its production procedures. FAA will continue to monitor implementation of the changes outlined in Boeing's plan and gauge their effectiveness.

Improve Data Analysis and Implement Initiatives to Identify Root Causes, Prevent Aviation

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Close Calls and Sustain the Aviation Safety Track Record – FAA has implemented the Aviation Safety Information Analysis and Sharing system to detect safety risks early and quickly share vital information with airlines, airports, and air traffic controllers. By collaborating with the aviation industry and implementing targeted safety measures, FAA aims to maintain its strong safety record within the National Airspace System (NAS). FAA is also deploying Arrival Runway Verification technology and Runway Incursion Device technology to enhance controller awareness of runway status.

Surface Transportation Safety

DOT continues to reduce the unacceptable number of roadway safety fatalities through its National Roadway Safety Strategy. DOT's programs and oversight have contributed to nine straight quarters of reduced roadway fatalities, with much more work remaining to be done.

Partner With Recipients and the Private Sector to Improve the Safety of Drivers, Passengers, and Workers – The Department continues to advance the safety of drivers, passengers, and workers through the National Roadway Safety Strategy (NRSS), our comprehensive approach to reducing roadway fatalities and serious injuries. The NRSS includes actions that foster partnership with state, local, and Tribal governments, and the private sector. In FY 2024 the Safe Streets and Roads for All discretionary grant program made 1,073 awards totaling approximately $2 billion to local, regional, and Tribal governments to address roadway fatalities and serious injuries. Through the NRSS Allies in Action[1] campaign, DOT received over 180 commitments in FY 2024 from government and private sector organizations to take action to reverse the number of fatalities and serious injuries on our roadways. Action areas included mitigating speed, reducing impaired driving, enhancing vehicle technology, and improving transit safety. (See https://www.dot.gov/NRSS.)

Aviation Governance and Modernization

DOT continues to invest in new technologies that will enable safe and efficient use of the Nation's airspace into the future. DOT is also building its air traffic controller workforce.

Refine Air Traffic Controller Staffing, Placement, and Training Practices to Meet Facility Needs and Maintain Safety in an Evolving Operational Environment – FAA is addressing controller staffing challenges by streamlining the hiring and training process for air traffic controllers. In FY 2024, FAA hired 1,814 new controllers, surpassing the year's target of 1,800 and the 1,514 that were hired in FY 2023. For FY 2025, FAA has increased its hiring target to 2,000 air traffic controllers.

To achieve these goals, FAA again established Pre-Employment Processing Center (PEPCs) across the United States in FY 2024 to reduce clearance processing times. In March, FAA introduced the Enhanced Air Traffic-Collegiate Training Initiative program, allowing graduates of approved schools to bypass the FAA Academy and report directly to a facility for training. So far, 29 colleges have applied, five of which are Historically Black Colleges or Universities, and two have signed agreements.

[1] Allies in Action is a call-to-action campaign, inviting stakeholders to embrace and commit to specific actions.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

Also in FY 2024, FAA is modernizing and streamlining its training processes by refreshing course content, expanding capacity at the Academy and in the field, and updating technologies used for learning. FAA began a nationwide technology refresh, which includes installation of updated software at all 111 of its Tower Simulation System simulators. Updated software will enable controllers to practice current and future air traffic procedures and will reduce the time it takes controllers to fully certify at their facility.

Keep the Deployment of NextGen Systems and Capabilities on Track While FAA Terminates the Office of NextGen – FAA continues to develop, integrate, and deploy NextGen systems and capabilities into airspace operations. FAA will continue to ensure that the program baselines are met to facilitate safe, efficient, and successful integration into the NAS. FAA will continue to track investments delivering NextGen capabilities in a comprehensive NAS Enterprise Architecture, as mandated by the 1996 Clinger-Cohen Act and the Federal Information Technology Acquisition Reform Act.

Improve Processes for Collecting and Analyzing Flight Delay and Cancellation Data to Oversee Airlines and Protect Consumers – The Office of Aviation Consumer Protection has continued to enhance protections for air travelers. On April 24, 2024, DOT issued a final rule requiring airlines to promptly provide consumers with automatic refunds if their flight is canceled or significantly changed, and they do not accept the alternative transportation or travel credits offered. The Bureau of Transportation Statistics continues to work closely with FAA to analyze the root causes of flight delays, and to separate those delays that can be attributed to the NAS and those that can be attributed to the air carriers themselves.

Surface Transportation Infrastructure

DOT continues to manage the historic investments provided by the Infrastructure Investment and Jobs Act (IIJA) to renew and expand our Nation's critical surface transportation infrastructure. DOT continues to ensure that the funds are obligated within the period of availability and that projects are delivered during the period of performance.

Evaluate the Progress of Surface Transportation Programs, Continue to Strengthen Oversight of Federal Transportation Investments, Provide Support in a Dynamic Surface Transportation Sector – Since the enactment of IIJA, DOT has awarded an unprecedented level of formula and discretionary grant funding. To provide transparency and accuracy to the public, DOT issues a biweekly Status of Funds report that tracks IIJA grants announcements, obligations, and outlays. As of September 2024, the Department is tracking more than 63,000 projects receiving IIJA funds, over 16,000 of which have been completed. These projects are generating measurable impacts, with 10,200 bridge projects, 175,000 miles of roadway, 11,200 transit projects, and 1,100 airports being built, repaired and/or modernized using IIJA funding. To support these efforts, DOT has recently established a new Office of Grants and Financial Assistance; delivered numerous technical assistance programs for its grantees; and built new tools for tracking IIJA implementation data.

Notable progress in the some of the Surface Operation Administrations include:

- Federal Highway Administration (FHWA) distributed over $180 billion in highway formula funding to States. With a large number of new, non-traditional recipients that require a

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

higher level of technical assistance and oversight, FHWA has taken steps to expedite project delivery and is reducing the time it takes to process grant agreements from award announcement to obligation.

- Federal Transit Administration (FTA) announced over $54 billion in IIJA funding, including $46 billion in Transit formula grants. FTA is committed to ensuring investments in recipient projects and property are protected through its oversight programs.
- Federal Railroad Administration (FRA) announced over $31 billion in IIJA funding and has obligated more than $5.9 billion to three key railroad infrastructure and corridor development projects: Nevada DOT's Brightline West High-Speed Intercity Passenger Rail System ($2.3 billion), California High-Speed Rail Authority's California Inaugural High-Speed Rail Service ($1.7 billion), and the Gateway Development Commission's Gateway Program: Hudson Tunnel Project Systems and Fit Out ($1.9 billion).
- Maritime Administration (MARAD), through the Port Infrastructure Development Program (PIDP), has awarded over $2.1 billion to 162 projects to expand capacity at our ports, which interface between maritime and surface transportation.

Grant and Contract Fund Stewardship

The Department takes very seriously its responsibility for sound stewardship of the historic resources for investment entrusted to it. The Department proactively seeks to ensure that its grant and contract resources deliver the intended results for the American people.

Make Sound, Transparent Grant and Contract Award Decisions – The new Office of Grants and Financial Assistance (GFA) is improving the administration of grants throughout the Department. DOT has established a rigorous acquisition planning process for contracts that varies by dollar threshold, complexity, and criticality of the planned procurement action. DOT's use of long-term, single vendor contracts is limited, and is governed by the acquisition procedures that are outlined in the Transportation Acquisition Manual (TAM).

Confirm Grant and Contract Funds Are Used as Intended – The Department has strengthened our internal policy and procedures and help ensure compliance with applicable rules and regulations for grants. To support implementation of Departmental guidance and governmentwide requirements, GFA engages regularly with the Financial Assistance Team of Executives (FATE) to provide updates, technical assistance, and share best practices. The FATE includes representatives from across the Department, including all OAs.

Financial Management

Strong financial management is also essential for sound stewardship of our financial resources. DOT has obtained unmodified audit opinion for 17 consecutive years and seeks to continue its legacy of success in financial reporting.

Improve Stewardship of Agency-Owned or Federally Funded Property – The Department has taken steps to improve the management and oversight of agency-owned and federally funded property. For example, FTA is revising their Awards Management Requirements to clarify real property reporting requirements for grant recipients with a requirement to report on all real property in which FTA retains an interest.

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

To address the tracking and recording of Federal Lands Management capital assets, DOT has coordinated with the U.S. Department of the Interior to strengthen its process, including a review of all construction projects to ensure federal assets are correctly accounted for. In FY 2024, the FHWA developed and implemented a standard operating procedure for future projects that ensures federally owned assets are recorded as construction projects and transferred to the appropriate Federal Lands Management Agency at the time of completion.

Improve Compliance with Federal Requirements for Monitoring and Reporting on Grantee Spending –The newly established GFA appointed an accountable official for Single Audit and plans to develop additional Single Audit guidance to be distributed to the Operating Administrations. The guidance will encompass pre-award, award, and post award Single Audit roles and responsibilities to ensure that the Department meets the Uniform Guidance requirements.

Improve Compliance with Federal Requirements for Managing and Expending Federal Funds – The Department uses the Do Not Pay Initiative to preserve the integrity of DOT payments. The Department currently matches all payments against select Working System databases daily and work is underway with the U.S. Department of Treasury to assess the appropriateness of screening payments against additional databases.

Information Security

In the 21st century, safeguarding our information resources is absolutely critical to the success of any large organization. DOT continues to enhance its multi-layered cybersecurity protections for its networks and systems.

Address Longstanding Weaknesses to Protect DOT's Critical Information Systems – In FY 2024, the Department updated its Cybersecurity Compendium and published policy-based Implementation Instructions. This included guidance on roles and responsibilities for vulnerability and weakness management, as well as clarification of remediation timelines. The Department organizing teams to address long-standing weaknesses by executing project sprints on priority issues throughout the operating environment. Through these efforts, DOT has already closed 24 prior year Federal Information Security Modernization Act recommendations.

Execute Key Cybersecurity Initiatives to Strengthen DOT's Critical Infrastructure – The Department is investing in additional to address cybersecurity initiatives, including enhanced cybersecurity training, increased adoption of multi-factor authentication, stronger data encryption, and enhanced enterprise cloud system security.

Transportation Transformation

DOT continues to proactively engage industry stakeholders regarding the safe adoption of transformative transportation technologies, including innovative aviation and surface transportation applications.

Integrate New Technologies into the NAS – FAA continues to support the safe and efficient integration of new technologies into transportation systems. FAA made significant progress

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

towards enabling routine, scalable beyond visual line of sight operations in the past year. FAA issued three Letters of Acceptance (LOAs) for UAS traffic management services in FY 2024.

For commercial space operations, FAA is undertaking several initiatives to enhance the performance-based safety regulations under 14 CFR Part 450 – Launch and Reentry License Requirements. In FY 2024, FAA onboarded three additional Launch/Reentry Operators (LROs) to the Space Data Integrator tool, providing additional situational awareness to operations, with plans to onboard more LROs in FY 2025.

Facilitate Innovation with Safe Adoption of Technological Changes by Surface Transportation Stakeholders – DOT is actively engaged in the work to support the transformation of our surface transportation system and is exploring applications for new technologies, in partnership with a broad cross-section of stakeholders.

The Advanced Research Projects Agency - Infrastructure (ARPA-I) has been actively engaged in stakeholder consultation, releasing a second Request for Information in 2024 seeking input on AI applications, opportunities, and challenges in transportation on behalf of the Department.

DOT has also convened the Transforming Transportation Advisory Council (TTAC). TTAC met throughout 2024 and is preparing recommendations to the Department regarding transportation innovation. TTAC currently has four subcommittees actively working toward recommendations: Automated Driving System State/Local Policy Needs; Impacts of AI on Transportation; Technology and Innovation's Role in Improving Transportation Project Delivery; and Emerging, Overlooked, and Underleveraged Innovation for Safety.

Organizational Excellence

DOT has empowered its organizational workforce through hiring, training, and employee retention initiatives. Through these efforts, the DOT workforce reached 57,000 employees on board for the first time, a testament to how DOT is rising to meet this challenge.

Hire, Train, and Retain the Workforce Necessary to Meet Department Goals – To drive our efforts in recruitment and retention of employees, DOT validated competencies for the engineering and economist occupations, administered a competency assessment to identify skill gaps for individuals supporting artificial intelligence, and worked with OPM to issue a competency assessment for the acquisition workforce. Data from those assessments will be analyzed to determine technical training needs at the Department and OA levels.

Improve System Capabilities in Procurement Contract Filing – DOT's Office of the Senior Procurement Executive (OSPE) collaborated with the OAs to further the Department's Electronic Contract Filing initiative through improved system capabilities. OSPE is working with the Acquisition Policy Working Group to update supporting policies in the TAM.

Manage Workforce and Property Assets and Facilities in an Evolving Environment – DOT successfully managed its workforce using the full breadth of available workplace flexibilities including telework, remote work, and flexible work schedules. In the most recent year, DOT

Inspector General's FY 2025 Top Management Challenges *(CONT.)*

initiated and completed an internal audit of remote work with a focus on ensuring locality pay is correct and that DOT is adhering to established policies.

DOT updated the Space Policy Order (4330.3A) in FY 2024 for the first time since 2016. The updates addressed the evolving environment of the increased use of work schedule flexibilities. The new Order complies with OMB memo MPM 24-01, accelerates the Reduce the Footprint effort via a new 150 usable square foot utilization rate target, and follows Federal Real Property Council and OMB government-wide guidance on calculating space utilization rates. The Department also began a space study for the potential consolidation of National Capital Region office leases into the William T. Coleman Jr. and Norman Y. Mineta Federal Buildings.

Payment Integrity Information Act Reporting

The Department of Transportation (DOT or Department), as a steward of taxpayer dollars, exercises rigorous management and oversight over its program expenditures. DOT's Payment Integrity Center is responsible for coordinating improper payment (IP) reviews, reporting results, and monitoring the progress of corrective actions in accordance with Payment Integrity Information Act of 2019 (PIIA; Public Law (P.L.) 116-117) and Office of Management and Budget (OMB) Circular A-123 Appendix C, *Requirements for Payment Integrity Improvement*. The Department reports the results of its FY 2024 IP reviews on OMB's website: https://paymentaccuracy.gov/.

PIIA defines a program or activity as susceptible to significant IPs when annual IPs exceed 1.5 percent and $10 million of outlays, or $100 million of outlays regardless of the error rate. Two DOT programs or activities were susceptible to significant IPs and subject to the FY 2024 PIIA reporting requirements.

- FHWA's Highway Planning and Construction (HPC) program supports state and local governments in the design, construction, and maintenance of the Nation's highway system. Additionally, the program includes emergency and pandemic relief supplemental funds for the repair or reconstruction of highways and roads.
- FTA's TIG – COVID Relief Funds includes funding provided by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA), and the American Rescue Plan Act of 2021 (ARPA) to support the nation's public transportation systems as they respond to the Coronavirus Disease 2019 (COVID-19) pandemic.

The FY 2024 Payment Accuracy Results table provides the estimated amounts and percentages properly and improperly paid.

FY 2024 Payment Accuracy Results ($ in millions)

Program or Activity	Outlays	Estimated Proper Payment Amount	Proper Payment Rate	Estimated Improper Payment Amount	Improper Payment Rate
FHWA HPC[1]	$54,459.55	$53,391.19	98.04%	$1,068.36	1.96%
FTA TIG - COVID Relief Funds[1]	$9,747.28	$9,595.67	98.44%	$151.61	1.56%

[1] *For FY 2024 testing, the program or activity reviewed payments made from October 1, 2022 to September 30, 2023.*

The root causes of FHWA improper payments include: ineligible cost; incorrect Federal share calculation; contractual non-compliance; administrative error; and insufficient documentation. An example of FHWA improper payments was due to ineligible costs for a claim related to a petroleum pipeline installation in accordance with utility coordination requirements.

Supplemental COVID relief funding provided FTA's existing programs with new eligibilities, including transit operating funding in areas formerly only permitted for capital expenses. Similar with prior year testing, part of FTA overpayments were reimbursements made by the grant recipient that included transactions occurring prior to the COVID-19 pandemic. Only costs incurred after the onset of the COVID-19 pandemic in January 2020 were eligible for reimbursement. Other root causes include incorrect fringe benefits calculation and lack of supporting documentation necessary to validate the eligibility of the expenses.

Payment Integrity Information Act Reporting *(CONT.)*

The FY 2024 Payment Accuracy Root Cause table provides the estimated improperly paid by root cause categories.

FY 2024 Payment Accuracy Root Causes ($ in millions)

Program or Activity	Estimated Monetary Loss Improper Payment Amount	Estimated Technically Improper Payment Amount	Estimated Improper Underpayment Amount	Estimated Unknown Improper Payment Amount	Total Estimated Improper Payments
FHWA HPC	$1,063.94	$ 3.63	$0.80	$ -	$1,068.36
FTA TIG - COVID Relief Funds	$151.51	$ -	$0.10	$ -	$151.61

FHWA and FTA will work with grant recipients to improve project documentation, contractual adherence, adherence of Federal regulation requirements, invoice verification, payment processes and address training deficiencies as applicable for each improper payment. If applicable, FHWA and FTA will recover overpayments from the grant recipient. Underpayments will be evaluated with the grant recipient for appropriate compensation.

OMB designates programs with an estimated monetary loss over $100 million as High-Priority programs. Based on that threshold, FHWA HPC and FTA TIG - COVID Relief Funds will be considered High-Priority programs subject to quarterly reporting in FY 2025 to demonstrate the progress made at the program level to improve payment integrity.

In addition to estimating IPs, the Department performed IP risk assessments for due programs, conducted a recovery audit, analyzed confirmed fraud cases, and screened payments against the Do Not Pay databases. Federal personnel within DOT's Payment Integrity Center performed the recovery audit. More information on the Department's FY 2024 IP reviews is located on OMB's website: https://paymentaccuracy.gov/.

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED)

On November 2, 2015, the President signed the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 ("the 2015 Act"). The 2015 Act amended the Federal Civil Penalties Inflation Adjustment Act of 1990 to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect.

The 2015 Act requires agencies to report on civil monetary penalty adjustments annually.

The following table shows the civil penalties that the DOT may impose, the authority for imposing the penalty, the year the penalty was enacted or adjusted by Congress, the latest year of inflation adjustments, the current penalty level, the DOT Operating Administration (OA) that is responsible for the penalty, and the location for additional penalty adjustment details.

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
33 United States. Code (U.S.C.) 1232	Maximum civil penalty for each violation of the Seaway Rules and Regulations at 33 Code of Federal Regulations (CFR) part 401	1978	2024	$114,630	Great Lakes Saint Lawrence Seaway Development Corporation (GLS)	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes	2003	2024	$41,577	Office of the Secretary of Transportation (OST)	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	General civil penalty for violations of certain aviation economic regulations and statutes involving an individual or small business concern	2003	2024	$1,828	OST	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(A)	Civil penalties for individuals or small businesses for violations of most provisions of Chapter 401 of Title 49, including the anti-discrimination provisions of sections 40127 and 41705 and rules and orders issued pursuant to these provisions	2003	2024	$16,630	OST	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(C)	Civil penalties for individuals or small businesses for violations of 49 U.S.C. 41719 and rules and orders issued pursuant to that provision	2003	2024	$8,315	OST	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(D)	Civil penalties for individuals or small businesses for violations of 49 U.S.C. 41712 or consumer protection rules and orders issued pursuant to that provision	2003	2024	$4,159	OST	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Minimum rail safety penalty	1992	2024	$1,086	Federal Railroad Administration (FRA)	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. Ch. 213	Ordinary maximum rail safety penalty	2008	2024	$35,516	FRA	https://www.federalregister.gov/
49 U.S.C. Ch. 213	Maximum penalty for an aggravated rail safety violation	2008	2024	$142,063	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2024	$601	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for ordinary hazardous materials violations	2012	2024	$99,756	FRA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for aggravated hazardous materials violations	2012	2024	$232,762	FRA	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2024	$1,330	Federal Motor Carrier Safety Administration (FMCSA)	https://www.federalregister.gov/
49 U.S.C. 525	Appendix A II Subpoena	2012	2024	$13,300	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (a) Out-of-service order (operation of commercial motor vehicle (CMV) by driver)	1990	2024	$2,304	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (b) Out-of-service order (requiring or permitting operation of CMV by driver)	1990	2024	$23,048	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (c) Out-of-service order (operation by driver of CMV or intermodal equipment that was placed out of service)	1990	2024	$2,304	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (d) Out-of-service order (requiring or permitting operation of CMV or intermodal equipment that was placed out of service)	1990	2024	$23,048	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)	Appendix A IV (e) Out-of-service order (failure to return written certification of correction)	1990	2024	$1,152	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(F)	Appendix A IV (g) Out-of-service order (failure to cease operations as ordered)	2012	2024	$333,252	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 521(b)(7)	Appendix A IV (h) Out-of-service order (operating in violation of order)	1984	2024	$29,221	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A) and (b)(7)	Appendix A IV (i) Out-of-service order (conducting operations during suspension or revocation for failure to pay penalties)	1998	2024	$18,579	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(7)	Appendix A IV (j) (conducting operations during suspension or revocation)	1984	2024	$29,221	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum penalty per day	2005	2024	$1,544	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(i)	Appendix B (a)(1) Recordkeeping—maximum total penalty	2005	2024	$15,445	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(B)(ii)	Appendix B (a)(2) Knowing falsification of records	2005	2024	$15,445	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(3) Non-recordkeeping violations	1998	2024	$18,759	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(A)	Appendix B (a)(4) Non-recordkeeping violations by drivers	1998	2024	$4,690	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (first conviction)	2005	2024	$3,861	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (a)(5) Violation of 49 CFR 392.5 (second or subsequent conviction)	2005	2024	$7,723	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b) Commercial driver's license (CDL) violations	1986	2024	$6,974	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (b)(1) Special penalties pertaining to violation of out-of-service orders (first conviction)	2005	2024	$3,861	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(i)(2)(A)	Appendix B (b)(1) Special penalties pertaining to violation of out-of-service orders (second or subsequent conviction)	2005	2024	$7,723	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(C)	Appendix B (b)(2) Employer violations pertaining to knowingly allowing, authorizing employee violations of out-of-service order (minimum penalty)	1986	2024	$6,974	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 31310(i)(2)(C)	Appendix B (b)(2) Employer violations pertaining to knowingly allowing, authorizing employee violations of out-of-service order (maximum penalty)	2005	2024	$38,612	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31310(j)(2)(B)	Appendix B (b)(3) Special penalties pertaining to railroad-highway grade crossing violations	1995	2024	$20,017	FMCSA	https://www.federalregister.gov/
49 U.S.C. 31138(d)(1), 31139(g)(1)	Appendix B (d) Financial responsibility violations	1994	2024	$20,579	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(1) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (transportation or shipment of hazardous materials)	2012	2024	$99,756	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(3)	Appendix B (e)(2) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)—minimum penalty	2012	2024	$601	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(2) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (training)—maximum penalty	2012	2023	$99,756	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(3) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (packaging or container)	2012	2024	$99,756	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (e)(4) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (compliance with FMCSRs)	2012	2024	$99,756	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(2)	Appendix B (e)(5) Violations of Hazardous Materials Regulations (HMRs) and Safety Permitting Regulations (death, serious illness, severe injury to persons; destruction of property)	2012	2024	$232,762	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 521(b)(2)(F)	Appendix B (f)(1) Operating after being declared unfit by assignment of a final "unsatisfactory" safety rating (generally)	2012	2024	$33,252	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Appendix B (f)(2) Operating after being declared unfit by assignment of a final "unsatisfactory" safety rating (hazardous materials)—maximum penalty	2012	2024	$99,756	FMCSA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(2)	Appendix B (f)(2) Operating after being declared unfit by assignment of a final "unsatisfactory" safety rating (hazardous materials)—maximum penalty if death, serious illness, severe injury to persons; destruction of property	2012	2024	$232,762	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(1) Violations of the commercial regulations (CR) (property carriers)	2012	2024	$13,300	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14916(c)	Appendix B (g)(2) Violations of the CRs (brokers)	2012	2024	$13,300	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(3) Violations of the CRs (passenger carriers)	2012	2024	$33,252	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(a)	Appendix B (g)(4) Violations of the CRs (foreign motor carriers, foreign motor private carriers)	2012	2024	$13,300	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the operating authority requirement (foreign motor carriers, foreign motor private carriers)—maximum penalty for intentional violation1	1999	2024	$18,291	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 note	Appendix B (g)(5) Violations of the operating authority requirement (foreign motor carriers, foreign motor private carriers)—maximum penalty for a pattern of intentional violations.	1999	2024	$45,730	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(b)	Appendix B (g)(6) Violations of the CRs (motor carrier or broker for transportation of hazardous wastes)—minimum penalty	2012	2024	$26,602	FMCSA	https://www.federalregister.gov/

1 Section (g)(5) was revised in the 2020 adjustment final rule to reflect the termination of the North American Free Trade Agreement (NAFTA) and the adoption of the United States Mexico Canada Agreement (USMCA). See 86 Federal Register (FR) 1745, 1748, n.6 (Jan. 11, 2021).

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 14901(b)	Appendix B (g)(6) Violations of the CRs (motor carrier or broker for transportation of hazardous wastes)—maximum penalty	2012	2024	$53,203	FMCSA	https://www.federalregister.gov/
I49 U.S.C. 14901(d)(1)	Appendix B (g)(7) Violations of the CRs (HHG carrier or freight forwarder, or their receiver or trustee)	1995	2024	$2,000	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(e)	Appendix B (g)(8) Violation of the CRs (weight of HHG shipment, charging for services)—minimum penalty for first violation	1995	2024	$4,005	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(e)	Appendix B (g)(8) Violation of the CRs (weight of HHG shipment, charging for services)-minimum penalty for subsequent violation	1995	2024	$10,009	FMCSA	https://www.federalregister.gov/
49 U.S.C. 13702, 14903	Appendix B (g)(10) Tariff violations	1995	2024	$200,174	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—first violation	1995	2024	$400	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(a)	Appendix B (g)(11) Additional tariff violations (rebates or concessions)—subsequent violations	1995	2024	$500	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(1)	Appendix B (g)(12) Tariff violations (freight forwarders)—maximum penalty for first violation	1995	2024	$1,002	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(1)	Appendix B (g)(12) Tariff violations (freight forwarders)—maximum penalty for subsequent violations	1995	2024	$4,005	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(2)	Appendix B (g)(13) Service from freight forwarder at less than rate in effect—maximum penalty for first violation	1995	2024	$1,002	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14904(b)(2)	Appendix B (g)(13) Service from freight forwarder at less than rate in effect—maximum penalty for subsequent violation(s)	1995	2023	$4,005	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 14905	Appendix B (g)(14) Violations related to loading and unloading motor vehicles	1995	2024	$20,017	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901	Appendix B (g)(16) Reporting and recordkeeping under 49 U.S.C. subtitle IV, part B (except 13901 and 13902(c))—minimum penalty	2012	2024	$1,330	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14907	Appendix B (g)(16) Reporting and recordkeeping under 49 U.S.C. subtitle IV, part B—maximum penalty	1995	2024	$10,009	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14908	Appendix B (g)(17) Unauthorized disclosure of information	1995	2024	$4,005	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14910	Appendix B (g)(18) Violation of 49 U.S.C. subtitle IV, part B, or condition of registration	1995	2024	$1,002	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14915	Appendix B (g)(21)(i) Knowingly and willfully fails to deliver or unload HHG at destination	1995	2024	$20,017	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901(d)(2)	Appendix B (g)(22) HHG broker estimate before entering into an agreement with a motor carrier	2005	2024	$15,445	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14901 (d)(3)	Appendix B (g)(23) HHG transportation or broker services—registration requirement	2005	2024	$38,612	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(E)	Appendix B (h) Copying of records and access to equipment, lands, and buildings—maximum penalty per day	2005	2024	$1,544	FMCSA	https://www.federalregister.gov/
49 U.S.C. 521(b)(2)(E)	Appendix B (h) Copying of records and access to equipment, lands, and buildings—maximum total penalty	2005	2024	$115,445	FMCSA	https://www.federalregister.gov/
49 U.S.C. 524	Appendix B (i)(1) Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—minimum penalty for first violation	2012	2024	$2,661	FMCSA	https://www.federalregister.gov/
49 U.S.C. 524	Appendix B (i)(1) Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—maximum penalty for first violation	2012	2024	$6,650	FMCSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 524	Appendix B (i)(1) Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—minimum penalty for subsequent violation(s)	2012	2024	$3,323	FMCSA	https://www.federalregister.gov/
49 U.S.C. 524	Appendix B (i)(1) Evasion of regulations under 49 U.S.C. ch. 5, 51, subchapter III of 311 (except 31138 and 31139), 31302-31304, 31305(b), 31310(g)(1)(A), 31502—maximum penalty for subsequent violation(s)	2012	2024	$9,965	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14906	Appendix B (i)(2) Evasion of regulations under 49 U.S.C. subtitle IV, part B—minimum penalty for first violation	2012	2024	$2,661	FMCSA	https://www.federalregister.gov/
49 U.S.C. 14906	Appendix B (i)(2) Evasion of regulations under 49 U.S.C. subtitle IV, part B—minimum penalty for subsequent violation(s)	2012	2024	$6,650	FMCSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for each pipeline safety violation	2012	2024	$266,015	Pipeline and Hazardous Materials Safety Administration (PHMSA)	https://www.federalregister.gov/
49 U.S.C. 60122(a)(1)	Maximum penalty for a related series of pipeline safety violations	2012	2024	$2,660,135	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(2)	Maximum additional penalty for each liquefied natural gas pipeline facility violation.	1996	2024	$97,179	PHMSA	https://www.federalregister.gov/
49 U.S.C. 60122(a)(3)	Maximum penalty for discrimination against employees providing pipeline safety information	2005	2024	$1,544	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for hazardous materials violation	2012	2024	$99,756	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Maximum penalty for hazardous materials violation that results in death, serious illness, or severe injury to any person or substantial destruction of property	2012	2024	$232,762	PHMSA	https://www.federalregister.gov/
49 U.S.C. 5123	Minimum penalty for hazardous materials training violations	2012	2024	$601	PHMSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for each violation of: 49 U.S.C. 30112, 30115, 30117–30122, 30123(a), 30125(c), 30127, 30141–30147, 30166 or 31137, or a regulation prescribed under any of these sections	2016	2024	$27,168	National Highway Traffic Safety Administration (NHTSA)	https://www.federalregister.gov/
49 U.S.C. 30165(a)(1), 30165(a)(3)	Maximum penalty amount for a related series of violations of: 49 U.S.C. 30112, 30115, 30117–30122, 30123(a), 30125(c), 30127, 30141–30147, 30166 or 31137, or a regulation prescribed under any of these sections	2016	2024	$135,828,178	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(2)(A)	Maximum penalty per school bus related violation of 49 U.S.C. 30112(a)(1) or 30112(a)(2)	2005	2024	$15,445	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(2)(B)	Maximum penalty amount for a series of school bus related violations of 49 U.S.C. 30112(a)(1) or 30112(a)(2)	2005	2024	$23,167,823	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(4)	Maximum penalty per violation for filing false or misleading reports	2012	2024	$6,650	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30165(a)(4)	Maximum penalty amount for a series of violations related to filing false or misleading reports	2012	2024	$1,330,069	NHTSA	https://www.federalregister.gov/
49 U.S.C. 30505	Maximum penalty amount for each violation of the reporting requirements related to maintaining the National Motor Vehicle Title Information System	1992	2024	$2,168	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32507(a)	Maximum penalty amount for each violation of a bumper standard under 49 U.S.C. 32506	1972	2024	$3,558	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32507(a)	Maximum penalty amount for a series of violations of a bumper standard under 49 U.S.C. 32506	1972	2024	$3,961,763	NHTSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 32308(b)	Maximum penalty amount for each violation of 49 U.S.C. 32308(a) related to providing information on crashworthiness and damage susceptibility	1972	2024	$3,558	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32308(b)	Maximum penalty amount for a series of violations of 49 U.S.C. 32308(a) related to providing information on crashworthiness and damage susceptibility	1972	2024	$1,940,403	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32308(c)	Maximum penalty for each violation related to the tire fuel efficiency information program	2007	2024	$73,628	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32309	Maximum civil penalty for willfully failing to affix, or failing to maintain, the label required in 49 U.S.C. 32304	1992	2024	$2,168	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount per violation related to odometer tampering and disclosure	2012	2024	$13,300	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32709	Maximum penalty amount for a related series of violations related to odometer tampering and disclosure	2012	2024	$1,330,069	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32710	Maximum penalty amount per violation related to odometer tampering and disclosure with intent to defraud.	2012	2024	$13,300	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(a)	Maximum penalty amount for each violation of 49 U.S.C. 33114(a)(1)–(4)	1984	2024	$2,922	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(a)	Maximum penalty amount for a related series of violations of 49 U.S.C. 33114(a)(1)–(4)	1984	2024	$730,455	NHTSA	https://www.federalregister.gov/
49 U.S.C. 33115(b)	Maximum civil penalty for violations of 49 U.S.C. 33114(a)(5)	1992	2024	$216,972	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32902	Maximum civil penalty for a violation under the medium- and heavy-duty vehicle fuel efficiency program	1975	2024	$50,360	NHTSA	https://www.federalregister.gov/
49 U.S.C 32912(a)	Maximum civil penalty for violations under 49 U.S.C. 32911(a) related to automobile fuel economy	1975	2024	$51,139	NHTSA	https://www.federalregister.gov/
49 U.S.C. 32912(b)	Civil penalty factor for violations of fuel economy standards prescribed for a model year under 49 U.S.C. 32902	2022	2024	$17	NHTSA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 32912(c)(1)(B)	Maximum civil penalty factor that may be prescribed for fuel economy standards under 49	2022	2024	$32	NHTSA	https://www.federalregister.gov/
46 U.S.C. 31309	Maximum civil penalty for a single violation of any provision under 46 U.S.C. Chapter 313 and all of Subtitle III related MARAD regulations, except for violations of 46 U.S.C. 31329	1988	2024	$25,548	Maritime Administration (MARAD)	https://www.federalregister.gov/
46 U.S.C. 31330	Maximum civil penalty for a single violation of 46 U.S.C. 31329 as it relates to the court sales of documented vessels	1988	2024	$63,991	MARAD	https://www.federalregister.gov/
46 U.S.C. 56101(e)	Maximum civil penalty for a single violation of 46 U.S.C. 56101 as it relates to approvals required to transfer a vessel to a noncitizen	1989	2024	$25,712	MARAD	https://www.federalregister.gov/
46 U.S.C. 50113(b)	Maximum civil penalty for failure to file an Automated Mutual Assistance Vessel Rescue System (AMVER) report	1956	2024	$162	MARAD	https://www.federalregister.gov/
50 U.S.C. 4513	Maximum civil penalty for violating procedures for the use and allocation of shipping services, port facilities and services for national security and national defense operations	1950	2024	$32,341	MARAD	https://www.federalregister.gov/
46 U.S.C. 12151	Maximum civil penalty for violations in applying for or renewing a vessel's fishery endorsement	1998	2024	$187,602	MARAD	https://www.federalregister.gov/
49 U.S.C. 44802 note	Operation of an unmanned aircraft or unmanned aircraft system equipped or armed with a dangerous weapon	2018	2024	$30,417	Federal Aviation Administration (FAA)	https://www.federalregister.gov/
49 U.S.C. 46301 note	Individual who aims the beam of a laser pointer at an aircraft in the airspace jurisdiction of the United States, or at the flight path of such an aircraft	2016	2024	$31,819	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	Violation by a person other than an individual or small business concern under 49 U.S.C. 46301(a)(1)(A) or (B)	2003	2024	$41,577	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(1)	Violation by an airman serving as an airman under 49 U.S.C. 46301(a)(1)(A) or (B) (but not covered by 46301(a)(5)(A) or (B))	2003	2024	$1,828	FAA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 46301(a)(1)	Violation by an individual or small business concern under 49 U.S.C. 46301(a)(1)(A) or (B) (but not covered in 49 U.S.C. 46301(a)(5))	2003	2024	$1,828	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(A)	Violation by an individual or small business concern (except an airman serving as an airman) under 49 U.S.C. 46301(a)(5)(A)(i) or (ii)	2003	2024	$16,630	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(i)	Violation by an individual or small business concern related to the transportation of hazardous materials	2003	2024	$16,630	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(ii)	Violation by an individual or small business concern related to the registration or recordation under 49 U.S.C. chapter 441, of an aircraft not used to provide air transportation	2003	2024	$16,630	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(iii)	Violation by an individual or small business concern of 49 U.S.C. 44718(d), relating to limitation on construction or establishment of landfills	2003	2024	$16,630	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(a)(5)(B)(iv)	Violation by an individual or small business concern of 49 U.S.C. 44725, relating to the safe disposal of life-limited aircraft parts	2003	2024	$16,630	FAA	https://www.federalregister.gov/
49 U.S.C. 46301(b)	Tampering with a smoke alarm device	1987	2024	$5,339	FAA	https://www.federalregister.gov/
49 U.S.C. 46302	Knowingly providing false information about alleged violation involving the special aircraft jurisdiction of the United States	1984	2024	$28,995	FAA	https://www.federalregister.gov/
49 U.S.C. 46318	Physical or sexual assault or threat to physically or sexually assault crewmember or other individual on an aircraft, or action that poses an imminent threat to the safety of the aircraft or individuals on board	2000	2024	$43,658	FAA	https://www.federalregister.gov/
49 U.S.C. 46319	Permanent closure of an airport without providing sufficient notice	2003	2024	$16,630	FAA	https://www.federalregister.gov/

Civil Monetary Penalty Adjustment for Inflation (UNAUDITED) *(CONT.)*

Statutory Authority	Penalty Name & Description	Year Enacted	Latest Year of Adjustment (via Statute or Regulation)	Current Penalty (Dollar Amount or Range)	OA	Location for Penalty Update Details
49 U.S.C. 46320	Operating an unmanned aircraft and in so doing knowingly or recklessly interfering with a wildfire suppression, law enforcement, or emergency response effort	2016	2024	$25,455	FAA	https://www.federalregister.gov/
51 U.S.C. 50917(c)	Violation of 51 U.S.C. 50901-50923, a regulation issued under these statutes, or any term or condition of a license or permit issued or transferred under these statutes	2014	2024	$292,181	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(1)	Violation of hazardous materials transportation law	2012	2024	$99,756	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(2)	Violation of hazardous materials transportation law resulting in death, serious illness, severe injury, or substantial property destruction	2012	2024	$232,762	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(3)	Minimum penalty for violation of hazardous materials transportation law relating to training	2012	2024	$601	FAA	https://www.federalregister.gov/
49 U.S.C. 5123(a)(3)	Maximum penalty for violation of hazardous materials transportation law relating to training	2012	2024	$99,756	FAA	https://www.federalregister.gov/
49 U.S.C. 44704(d)(3)(B)	Knowing presentation of a nonconforming aircraft for issuance of an initial airworthiness certificate by a production certificate holder	2020	2024	$1,181,582	FAA	https://www.federalregister.gov/
49 U.S.C. 44704(e)(4)(A)	Knowing failure by an applicant for or holder of a type certificate to submit safety critical information or include certain such information in an airplane flight manual (AFM) or flight crew operating manual contrary to 49 U.S.C. 44704(e)(1)-(3)	2020	2024	$1,181,582	FAA	https://www.federalregister.gov/

Grant Programs (UNAUDITED)

OMB Circular A-136, *Financial Reporting Requirements*, requires agencies to provide a summary of the total number of Federal grant and cooperative agreement awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2024. Following are grant recipient categories and balances which meet the current reporting criteria as of September 30, 2024.

Federal Grant and Cooperative Agreemnt Awards Without Closeout by Age of Expiration

Category	2-3 Years - FY 2021-2022	4-5 Years - FY 2019-2020	>5 Years - Before FY 2019
Number of Grants/Cooperative Agreements with Zero Dollar Balances	1,639	842	1,407
Number of Grants/Cooperative Agreements with Undisbursed Balances	1,025	399	733
Total Dollar Amount of Undisbursed Balances	$ 628,215	$ 298,333	$ 521,390

DOT has made significant progress in closing out grant awards in FY 2024. DOT closed out 1,699 grants and cooperative agreements totaling $285 million since the FY 2023 Grant Program reporting. Specific actions taken to improve closeouts include updating systems to include a field for tracking delays in closing awards, applying a risk-based approach for projects that have been completed for several years but lack final acceptance documentation, and leveraging inactive obligation review requirements to emphasize a proactive approach to project funds management and timely project closeout. DOT conducted extensive training for key grants managment personnel on how to troubleshoot and fix errors, in order to process more closeouts efficiently, which resulted in a higher percentage of closeouts than prior year levels.

Although DOT made progress over the past year, it also experienced some challenges preventing close out of awards. These challenges include: turnover within DOT Grants Management Offices over the last year, grants officer training for new personnel, untimely submission of grant recipient's closeout documentation, closeout of long-term Highway construction projects that require completion of a number of activities prior to documentation and closeout. States that were issued grants are more likely to focus on new and ongoing awards than allocating resources to the close-out process. There are 50 States plus the District of Columbia, Puerto Rico, and the U.S. Territories that have their own systems and unique processes for closing out awards.

DOT will continue to monitor grants to ensure that recipients are providing closeout documentation in a timely manner. DOT will also continue to update processes and guidance as necessary; identify best practices in project closeout; and partner with State departments of transportation, other awardees/ recipients, and organizations, to determine opportunities for streamlining and accelerating grant and cooperative agreement closeout.

Climate-Related Financial Risk (UNAUDITED)

Climate Action Plans, Sustainability Reports, and Implementation Plans

- DOT's Climate Action Plan was published in June 2024 and is available for review at the following weblink: U.S. Department of Transportation 2024-2027 Climate Adaptation Plan (sustainability.gov).
- 2024 Sustainability Plan: The 2024 DOT Sustainability Plan was not available in time for inclusion of its weblink in the 2024 DOT Agency Financial Report (AFR). DOT will make the 2024 Sustainability Plan available on its website once it has been issued. The plan will be posted pending the Council on Environmental Quality's (CEQ's) review and approval. Approval is anticipated by Winter 2025. Once available, the plan can be accessed at https://www.sustainability.gov/dot.html, where copies of the latest public versions of DOT's Plans can be found.

FY 2023 Budget Authority and Outlays

In FY 2023, DOT engaged in actions listed below to help reduce the Federal Government's exposure to climate-related financial risks. Related outlays for each activity include:

- $225 thousand for improvements in energy efficiency and the capability of future climate-related risks; and
- $401 thousand for tools used to assess exposure to future climate risks.

Climate Risk Governance, Strategy, Risk Management, and Metrics Information

OST is responsible for the oversight of climate-related risks and opportunities, through the leadership of the Deputy Assistant Secretary for Policy and Chief Sustainability Officer (CSO), in coordination with the Department's modal OAs, the Office of the General Counsel, and the Office of the Chief Financial Officer. Additionally, the Office of Policy, within OST, coordinates climate adaptation actions with support from DOT's Climate Change Center.

Within OST, the Office of the Assistant Secretary for Administration and Department's CSO (as delegated by 49 CFR 1.38(c)(2)) and is responsible for assessing and managing climate-related risks for DOT property, plant, equipment (PPE), and operations.

The Department's infrastructure comprises of office buildings, air traffic control towers, research facilities and laboratories, ship fleets, academic buildings, heavy machinery, vehicle fleets, electrical substations, safety test tracks, data centers, and facilities associated with critical safety communication assets. These assets are located across the U.S. and are susceptible to climate change. The anticipated climate impacts on these assets include temperature increase, precipitation change, extreme storms, sea level rise, change in snowmelt, ecosystem degradation, and land change.

DOT evaluated facility climate hazard exposure using CEQ's Federal Climate Mapping for Resilience and Adaptation Application (Federal Mapping App) released in late Fall 2023 to support the preparation of the Department's 2024 Climate Action Plan. The Federal Mapping App provides a broad view of climate exposure across all DOT facilities (including unstaffed and leased facilities) from the Federal property management database. DOT assessed the exposure of its buildings; employees; and lands, waters, and cultural and natural resources to five climate hazards: extreme heat, extreme precipitation, sea level rise, flooding, and wildfire risk. A copy of the Department's 2024 Climate Action Plan detailing the results of the risk assessment using the Federal Mapping App can be found at: https://www.sustainability.gov/dot.html.

Given the great diversity of asset types held, the Department will need to develop multiple strategies to ensure climate resilience at its facilities. First, the Department has identified its major mission critical buildings and operational assets. Mission critical buildings are DOT-leased or - owned facilities that support activities that cannot be disrupted. Mission critical assets include non-building infrastructure (e.g., ships or equipment), operations, and activities that support statutory goals, provide vital services, and maintain the safety and health of the public. In addition, mission critical operations include activities completed in support of DOT's own business processes.

Second, the Department will continue performing climate change vulnerability assessments for mission critical buildings and operational assets using the internally-developed Climate Vulnerability Assessment Tool (CVAT). CVAT combines climate projections (heat and precipitation data) from downscaled global climate models with critical system vulnerability data and historical exposure data from Federal Emergency Management Agency's (FEMA's) national risk index in order to calculate a more robust site-specific climate-risk score for Departmental mission critical assets that will support system-wide comparisons of climate risk.

CVAT was designed to address a significant barrier that facility managers faced when completing climate vulnerability assessments: expertise required to research, download, compile, and interpret climate hazard

Climate-Related Financial Risk (UNAUDITED) *(CONT.)*

exposure data. Using a consistent approach provides the Department with a system-wide overview of climate hazard exposure to inform which sites to prioritize for vulnerability assessments. CVAT integrates facility manager ratings of the vulnerability of critical systems for each site with climate hazard exposure data to rate climate risk and inform resilience solutions.

Several mission-critical buildings are exposed to increasingly regular high-tide flooding and salt-water intrusion that can damage building structures, utility systems, and communications. National Defense Reserve Fleet (NDRF) stations experience damage from increased storm surges and tides. Extreme precipitation causes flooding that prevents facility access for employees or emergency response personnel. Extreme heat can stress utility systems, reduce the service life of structural materials, and impact National Airspace System (NAS) capacity. In contrast, DOT buildings and employees have only limited direct exposure and vulnerability to wildfire.

CVAT provides location-specific exposure data for climate hazards (over 20 in the 2023 version) so that facilities managers can provide information on facility vulnerability, allowing for an overall estimate of risk as well as risk from each climate hazard. Of the climate hazards included in CVAT (fourteen historical and nine projection-based), mission-critical, staffed DOT facilities have the highest exposure to future (2050) high temperatures and extreme precipitation, coastal flooding, and hurricanes. Using CVAT, OAs have identified their greatest vulnerabilities as hurricanes, coastal flooding, ice storms, and strong winds. Thus, the overall ranking of climate hazards that pose the greatest risk (a measure that combines exposure, criticality, dependency, and vulnerability) can differ from hazard importance estimated by exposure alone.

Both vulnerability and exposure are key to understanding climate impacts, and CVAT demonstrates how a fuller understanding of both can inform project planning, development, and prioritization. DOT OAs have used CVAT to complete resilience assessments for dozens of mission-critical facilities. The Department has created a Climate Risk Dashboard to track progress towards completing the vulnerability assessments for all DOT mission-critical facilities and to automate the process to synthesize the results across the organization.

Finally, to proactively integrate climate resilience into existing management processes, the OAs can incorporate priority adaptation and mitigation strategies into their Capital Asset Plans, new building design standards, and facility operation and maintenance schedules.

OST has developed internal energy, environmental, and sustainability performance metrics. Aligned with the Administration's climate and environmental priorities, these metrics will include ambitious adaptation targets along with other important energy, environmental, and procurement actions. The internal report will also establish accountability and governance across the agency, ensuring DOT leads by example through continued progress. The Department's Office of the Budget, CSO, and the DOT Climate Change Center (with representatives from across all DOT offices), will oversee and coordinate these efforts.

The link to the Department's latest greenhouse gas (GHG) emissions performance is: https://www.sustainability.gov/dot.html.

Audit Resolution Report (UNAUDITED)

Office of Inspector General (OIG)

On October 1, 2023, the Department had a beginning balance of **512** audit recommendations. During FY 2024, the OIG issued a total of **164** audit recommendations — **7** in Funds Put to Better Use, **13** in Questioned Cost, and **144** (non-financial) procedural recommendations. During FY 2024, the Department closed **211** recommendations, which left **465** recommendations open at the end of the fiscal year. Of the number closed, **195** were procedural or non-monetary; **2** were funds put to better use; **14** were questioned or unsupported costs, which represented **$23,797,743**; however, only **$12,406,154** in disallowed costs was recoverable, which DOT recovered. As of September 30, 2024, DOT has no recommendations over six months old without a management decision.

The tables below show that during FY 2024 DOT made management decisions to act on **20** audit recommendations with management efficiencies and planned recoveries that total nearly **$600** million. In addition, the DOT completed final actions for **16** monetary audit recommendations that represented over **$337** million in cost savings.

Government Accountability Office (GAO)

On October 1, 2023, DOT had a beginning balance of **177** open audit recommendations. During FY 2024, the Department closed **44** recommendations and GAO issued a total of **62** new recommendations. As of September 30, 2024, GAO has **80** audits underway departmentwide.

Management Action on Recommendations that Funds Be Put to Better Use		
Action Type	**Recommendations**	**Dollar Value**
Management Decision - Beginning Balance on October 1, 2023	10	$238,590,429.00
Management Decision - During the Fiscal Year	7	$1,049,208,517.00
Total Management Decisions Made	**17**	**$1,287,798,946.00**
Final Action - Recommendations Implemented	2	$313,711,640.00
Final Action - Recommendations Not Implemented	15	$974,087,306.00
Ending Balance on September 30, 2024	**15**	**$974,087,306.00**

Management Action on Audit Recommendations with Disallowed Costs		
Action Type	**Recommendations**	**Dollar Value**
Management Decision - Beginning Balance on October 1, 2022	45	$ 159,218,251.71
Management Decision - During the Fiscal Year	13	$ 136,400,418.05
Total Management Decisions Made	**58**	**$ 295,618,669.76**
Final Action - Collections/Offset	3	$ 12,406,154.00
Final Action - *(Allowable)*[1]	11	$ 11,391,589.00
Total Final Actions	14	**$ 23,797,743.00**
Ending Balance on September 30, 2023	**44**	**$ 271,820,927.05**

Note: The data in these tables do not include procedural (non-monetary) audit recommendations.

[1]*A single audit recommendation can involve multiple recovery types (collections/offset, other recovery, write-offs).*

Acronyms List

Acronym	*Definition*
AATF	Airport and Airway Trust Fund
AAM	Advanced Air Mobility
AEC	Atomic Energy Commission
AFM	Airplane Flight Manuals
AFR	Agency Financial Report
AI	Artificial Intelligence
AICPA	American Institute of Certified Public Accountants
AIP	Airport Improvement Program
APG	Agency Priority Goals
APR	Annual Performance Report
ARPA	American Rescue Plan Act of 2021
ARPA-I	Advanced Research Projects Agency-Infrastructure
ATCT	Airport Traffic Control Towers
BIL	Bipartisan Infrastructure Law
BS	Balance Sheet
BTS	Bureau of Transportation Statistics
Budget	Budget of the United States Government
BVLOS	Beyond Visual Line of Sight
CAIVRS	Credit Alert System
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDL	Commercial Driver's License
CEQ	Council on Environment Quality
CERCLA or Superfund	Comprehensive Environmental Response, Compensation and Liability Act of 1980
CFO Act	Chief Financial Officers Act of 1990
CFR	Code of Federal Regulations
CFTC	Commodity Futures Trading Commission
CIP	Construction-in-progress
CMMS	Computerized Maintenance Management System
Congress	United States Congress
COVID-19	Coronavirus Disease 2019
CR	Continuing Resolution or Commercial Regulation
CRRSAA	Coronavirus Response and Relief Supplemental Appropriations Act of 2021
CSO	Chief Sustainability Officer
CSRS	Civil Service Retirement System
CVAT	Climate Vulnerability Assessment Tool
CY	Calendar Year
DATA Act	Digital Accountability and Transparency Act of 2014
DBE	Disadvantaged Business Enterprise
DHS	Department of Homeland Security
DM&R	Deferred Maintenance and Repairs

Acronyms List *(CONT.)*

Acronym	*Definition*
DoD	Department of Defense
DMF	Death Master File
DOE	Department of Energy
DOL	Department of Labor
DOT	Department of Transportation
E.O.	Executive Order
ERM	Enterprise Risk Management
ESC	Enterprise Services Center
EV	Electric Vehicle
eVTOL	Electric Vertical Takeoff and Landing
FAA	Federal Aviation Administration
FASAB	Federal Accounting Standards Advisory Board
FAST	Fixing America's Surface Transportation Act of 2015
FBwT	Fund Balance with Treasury
FCEE	Federal Civilian Enterprise Essential
FCRA	Federal Credit Reform Act of 1990
FECA	Federal Employees Compensation Act
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefit
FEMA	Federal Emergency Management Agency
FERS	Federal Employee Retirement System
FFB	Federal Financing Bank
FFGA	Full Funding Grant Agreement
FFMIA	Federal Financial Management Improvement Act of 1996
FHWA	Federal Highway Administration
FISMA	Federal Information Security Modernization Act of 2014
FITARA	Federal Information Technology Acquisition Reform Act
FMCSA	Federal Motor Carrier Safety Administration
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	Financial Report of the U.S. Government or Federal Register
FRA	Federal Railroad Administration
FSLTT	Federal, State, Local, Tribal, and Territorial
FTA	Federal Transit Administration
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GHG	Greenhouse Gas
G-Invoicing	Government Invoicing
GLS	Great Lakes Saint Lawrence Seaway Development Corporation
GMRA	Government Management Report Act of 1994

Acronyms List *(CONT.)*

Acronym	*Definition*
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance and Results Act Modernization Act of 2010
GSA	General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
HPC	Highway Planning and Construction
HTF	Highway Trust Fund
HVA	High-Value Assets
HUD	Housing and Urban Development
IGT	Intragovernmental Transaction
IIJA	Infrastructure Investment and Jobs Act
IP	Improper Payment
IPT	Integrated Project Team
IRA	Inflation Reduction Act
IRS	Internal Revenue Service
IMLS	Institute of Museum and Library Sciences
IT	Information Technology
LEIE	List of Excluded Individuals and Entities
MARAD	Maritime Administration
MBRC	Minority Business Resource Center
MFA	Multifactor Authentication
MMAC	Mike Monroney Aeronautical Center
NAS	National Airspace System
NBI	National Bridge Inventory
NCD	National Council on Disability
NCUA	National Credit Union Administration
NDRF	National Defense Reserve Fleet
NextGen	Next Generation Air Transportation System
NHS	National Highway System
NHTSA	National Highway Traffic Safety Administration
NIST	National Institute of Standards and Technology
NRC	Nuclear Regulatory Commission
NRSS	National Roadway Safety Strategy
OA	Operating Administration
OCIO	Office of the Chief Information Officer
OEM	Original Equipment Manufacturers
OFM	Office of Financial Management
OIG	Office of the Inspector General
OMB	Office of Management and Budget

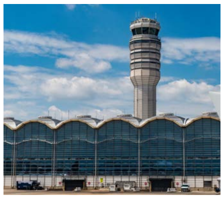
Acronyms List *(CONT.)*

Acronym	*Definition*
OPM	Office of Personnel Management
OST	Office of the Secretary
OTA	Office of Tax Analysis
PCB	Polychlorinated Biphenyls
PHMSA	Pipeline and Hazardous Materials Safety Administration
PIIA	Payment Integrity Information Act of 2019
P.L.	Public Law
PMO	Project Management Office
PMR	Performance Management Review
PPE	Property, Plant and Equipment
RCRA	Resource Conservation and Recovery Act of 1976
R&D	Research and Development
RRF	Ready Reserve Force
RRIF	Railroad Rehabilitation and Improvement Financing
RSI	Required Supplementary Information
SAFETEA-LU	Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users
SAFSTOR	NRC Method of Preparing Nuclear Facilities for Storage and Decontamination
SAM	System for Award Management
SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SEC	Securities and Exchange Commission
Secretary	Secretary of Transportation
SFFAS	Statement of Federal Financial Accounting Standards
SMS	Safety Management System
SNC	Statement of Net Cost
SOC	Service Organization Control
SSA	Social Security Administration
SSAE 18	Statement on Standards for Attestation Engagements 18
TAS	Treasury Account Symbol
"The 2015 Act"	Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
TIFIA	Transportation Infrastructure Finance and Innovation Act
TIG	Transit Infrastructure Grants
TOP	Treasury Offset Program
TRACON	Terminal Radar Approach Control Facility
TSCA	Toxic Substances Control Act
TTC	Transportation Technology Center
UAS	Unmanned Aircraft Systems
URA	Uniform Relocation Act

Acronyms List *(CONT.)*

Acronym	*Definition*
U.S.C.	United States Code
USMMA	United States Merchant Marine Academy
USSGL	United States Standard General Ledger
UTM	UAS Traffic Management
V2X	Vehicle-to-Everything
VMT	Vehicle Miles Traveled
WCF	Working Capital Fund
WUS	Washington Union Station
ZEB	Zero Emission Buses
ZTA	Zero Trust Architecture

Image Sources



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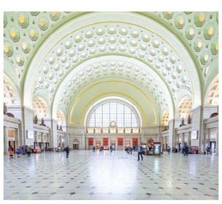

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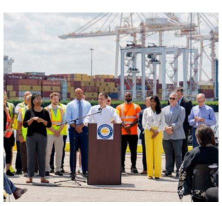

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Source: Baltimore Francis Scott Key Bridge Collapse Response

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Description: Secretary Buttigieg's Headshot

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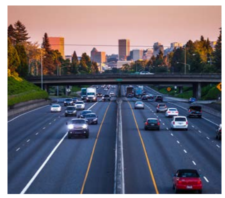

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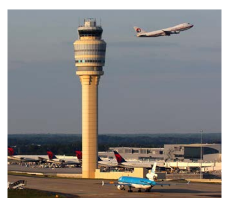

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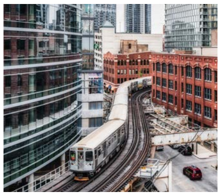

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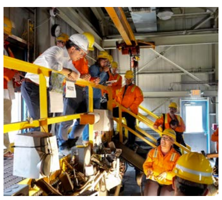
Source: Secretary Pete Buttigieg in Wyoming



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Source: Secretary Pete Buttigieg visits Pennsylvania

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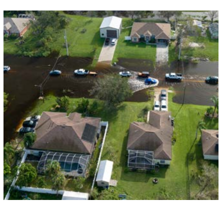

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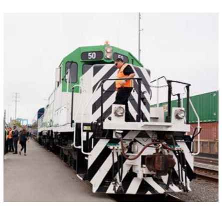

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Source: Deputy Secretary Polly Trottenberg Visits Virginia Port Authority Terminals for Ribbon-Cutting and to Tour Maritime Investments

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Source: Connecticut River Bridge Groundbreaking

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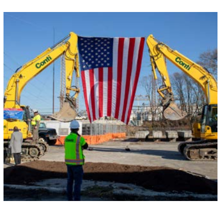

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Contact Us

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You can also send written questions and comments to us at:

1200 New Jersey Avenue SE

Room W93–325

Washington, DC 20590

United States

Social Media:

US Department of Transportation Page

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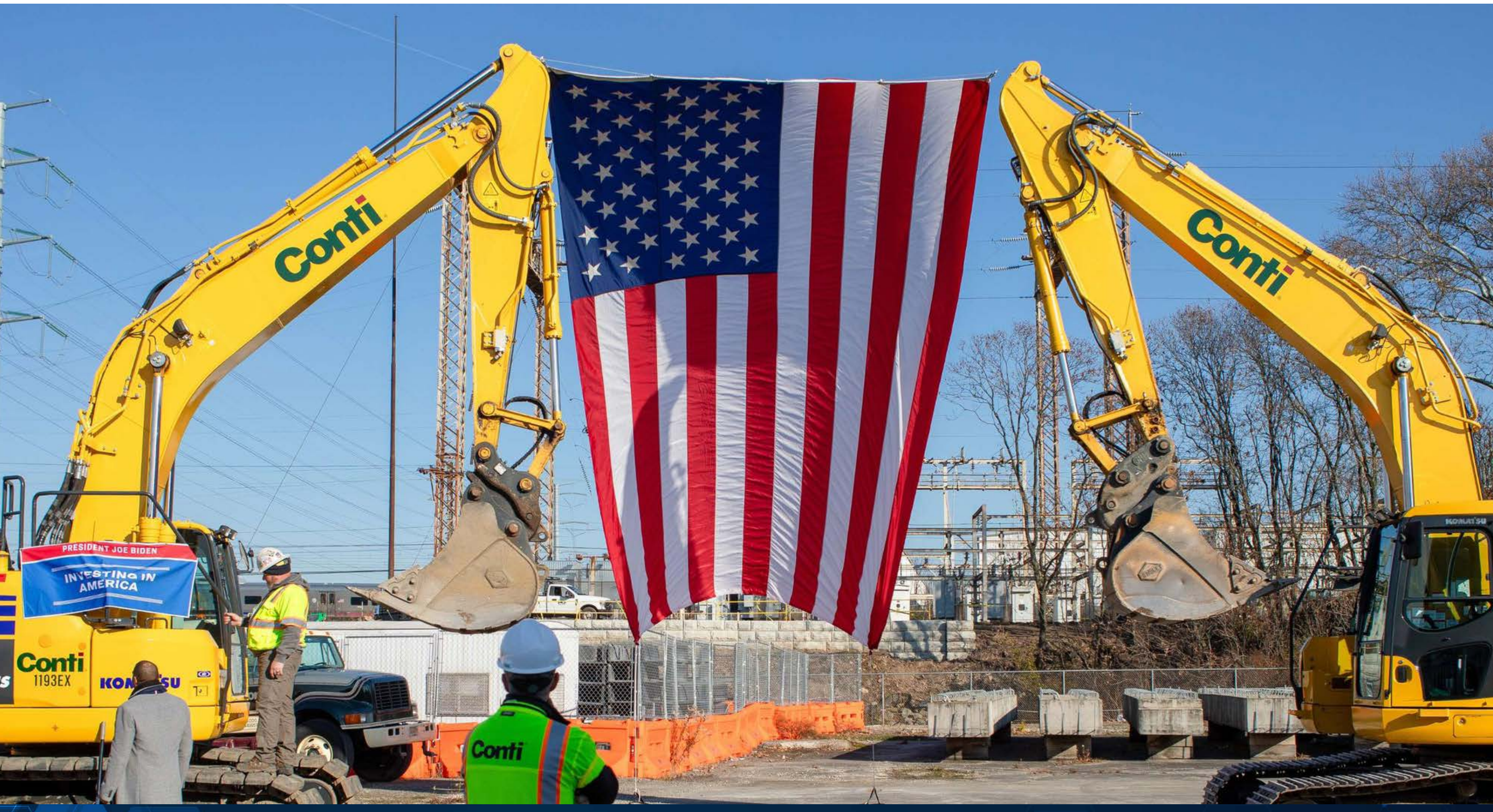
We hope to hear from you soon!



U.S. Department of Transportation

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1200 New Jersey Avenue SE
Room W93-325
Washington, DC 20590

https://www.transportation.gov